



*In the middle of life,
at the hearts of our people...*





Contents

Corporate Profile

05	Corporate Profile
06	Halkbank's Vision, Mission, Objectives and Corporate Values
06	Halkbank's Strategies
08	Halkbank in Brief
08	Amendments to the Articles of Association in 2018
09	Shareholding Structure
12	Key Financial Indicators and Ratios
14	Halkbank's Historical Development
18	Milestones

Assessment of the Management

24	Chairman's Assessment
26	General Manager's Assessment
30	Board of Directors and the Supervisory Board
31	Executive Management

Review of operations in 2018

34	Review of Operations in 2018
66	Halkbank's Subsidiaries and Affiliates
74	Annual Report Compliance Statement

Management and Corporate Governance

76	Board of Directors and the Supervisory Board
80	Executive Management
86	Organizational Chart
88	Committees
96	Executives of the Internal Systems Units
97	Report of the Board of Directors
98	Human Resources Practices
100	Transactions with the Risk Group
100	Information on Support Services Providers
101	Profit Distribution Policy
102	Report of the Supervisory Board
104	Corporate Governance Principles Compliance Report

Financial Information and Risk Management

116	Audit Committee's Assessment on the Operation of the Internal Control and Compliance, Internal Audit and Risk Management Systems and Information about its Activities in 2018
121	Financial Standing, Profitability and Debt-Servicing Capability
123	Risk Management Policies by Risk Types and Risk Management Information
126	Rating Notes
127	5-Year Summary Financial Information
129	Unconsolidated Independent Audit Report
293	Consolidated Independent Audit Report
470	Directory



*We are right where we want
to be the most in life...*

We have one of the most far-reaching branch networks in Turkey. We are at the center of life, and in close proximity to life and the people with nearly one thousand branches and almost 20 thousand employees. You can see Halkbank in a moment's reflection and natural course of events in life, and realize that these moments say a lot.

Our heart is beating for our country at every second. Therefore, we feel whatever Turkey feels. We are fully aware of where our people, our crown jewel, position us, and making strides for another 80 years with the love in their hearts.



It has been 80 years since our establishment. Time has gone by, but the great confidence stands strong.



Corporate profile

Celebrating its 80th anniversary, Halkbank continues to carry out its mission of supporting the people and the real economy while pioneering the development of the Turkish banking industry.

SUPPORT TO THE REAL ECONOMY

Founded with the mission of encouraging tradesmen and artisans to produce, Halkbank maintains its uninterrupted support for the Turkish economy with the belief that prosperity and wealth can only increase through stronger players in the production sector.

SUPPORT TO SOCIAL WELFARE

Helping Turkey grow while growing with Turkey for 80 years, Halkbank continues to carry out social development initiatives in accordance with its corporate citizenship awareness while being the largest supporter of the Turkish economy with its mega projects.

SUPPORT FOR CUSTOMERS

Having become one of the strongest players in the industry thanks to the confidence of the Turkish people, Halkbank serves its customers in every segment of contemporary banking and plans its operations based on the principle of standing by its customers everywhere and at all times.

SUPPORT FOR SMEs

Halkbank, the "Bank of Productive Turkey," leverages its expertise in SME banking to develop products and services that meet the needs of the real economy. SMEs in Turkey are producing, growing and looking to the future with hope with the support of Halkbank, the leader in SME banking.

Halkbank's vision, mission, objectives and corporate values

Our Vision

Fulfilling all the requirements of universal banking to become a bank strong in the retail segment and the leader of SME services across the region.

- Delivering customer satisfaction in all business processes by reaching the highest quality and fastest service levels in the sector,
- Becoming a bank that grows in a balanced fashion and regularly posts sustainable profits.

Our Mission

Fully aware of its social responsibility and professional mission, performing all banking services in an efficient manner, creating permanent value for customers, shareholders and employees, contributing to the development of the banking industry and capital markets, and assuming a prestigious position in regional and global banking.

Our Corporate Values

Our Targets

- Becoming the leading SME bank of the region,
- Becoming the bank of choice for SME and retail customers alike,
- Becoming the employer of choice for highly qualified banking professionals,

- Customer focus
- Reliability
- Integrity
- Creativity
- Dynamism
- Rationality
- Teamwork
- Productivity
- Transparency
- Sensitivity
- Self-confidence
- Openness to change
- Social responsibility awareness
- Sharing information and experience

Halkbank's strategies

- Expanding the range of traditional banking activities and specially designed new product and service options.
- Offering SME and retail customers in the middle and higher income segments various exclusive products and services, as part of customer segmentation efforts.
- Providing top quality services with a customer focus.
- Creating efficiency in critical processes, in particular loan and financial risk management.
- Ensuring efficiency in all business processes to provide a wide array of products, transaction and system security, fast and high-quality transactions, and competitive pricing.
- Guaranteeing the continuous development and motivation of employees via career and performance management systems.
- Ensuring that internal and external customers embrace the corporate identity.
- Rendering high-quality service in international banking through the overseas branch network.





*Each and every one of our branches has
been home for countless blessings and well wishes.
No one found more joy in a hopeful conversation
between two tradesmen than us.*

Halkbank in brief

Increasing its SME lending market share to 15.9% and allocating 39.4% of its total loans to SMEs, Halkbank continues to be the biggest supporter of the Turkish economy.

8

A steadily-growing, deep-rooted, pioneering and respected brand of rising Turkey, Halkbank was founded in 1938 to support craftsmen and tradesmen and to accelerate the country's economic development. The Bank has been spearheading the banking industry's development while successfully executing its mission of supporting the real economy for 80 years.

Rendering an unparalleled banking experience to its customers with 988 domestic branch locations, 6 overseas branches, 1 country management, 3 overseas representative offices, 4,023 ATMs, telephone and internet banking channels, and mobile banking applications as of the end of 2018, Halkbank serves with innovative products and services as part of its global vision.

Halkbank, the bank of producing Turkey, sees every producing and job-creating tradesman, farmer, and small, medium and large business owner as a business partner and considers supporting them in good days and bad days alike with all of its financing facilities as its raison d'être. Increasing its SME lending market share to 15.9% and allocating 39.4% of its total loans to SMEs, Halkbank continues to be the biggest supporter of the Turkish economy.

Amendments to the Articles of Association in 2018

In 2018, there were no changes to the Articles of Association.

Shareholding structure

The Bank's shares are traded on Borsa İstanbul with a free float ratio of 48.9%.

Türkiye Halk Bankası A.Ş. has shifted to the registered capital system, upon a resolution adopted at its Ordinary General Assembly dated March 27, 2015. The Bank's registered capital ceiling is TRY 7,500,000,000 and its issued capital is TRY 1,250,000,000.

99.999996207% of the Bank's shares, originally held by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey, were transferred to the ownership of the Privatization Administration of Turkey. Pursuant to Resolution No. 2007/08 of the Privatization High Council dated February 5, 2007; the Resolution of the Bank's General Assembly dated April 19, 2007; and Resolution No. 16/471 of the Capital Markets Board of Turkey dated April 26, 2007, 24.98% of these shares were publicly listed on May 10, 2007.

As part of the secondary public offering of the Bank's shares pursuant to Resolution No. 2012/150 of the Privatization High Council dated October 4, 2012, shares owned by the Privatization Administration of Turkey, representing 23.92% of the Bank's capital, were successfully floated on November 21, 2012.

Pursuant to the Resolution numbered 2017/1 dated February 3, 2017 by the Privatization Board of Turkey, shares held by the Privatization Administration of Turkey were removed from the scope of the privatization program and they were transferred to the Turkey Wealth Fund on March 10, 2017.

The Bank's controlling shareholder is the Turkey Wealth Fund with an equity stake of 51.10604% (Address: Kültür Mah. Nispetiye Cad. Akmerkez E Blok Beşiktaş İstanbul). Neither the Chairman, Vice Chairman, General Manager nor the Members of the Board of Directors or the Deputy General Managers hold shares in the Bank.

Pursuant to Law No. 6327 dated June 13, 2012, as well as Provision 3 of Article 2 that was added to Law No. 4603, until their sale is finalized, these public sector-owned shares in the Bank shall be governed and represented by the Minister that the Bank reports to in accordance with the Turkish Commercial Code.

Shareholder	Paid-in Capital (TRY)	Shareholding (%)
Turkey Wealth Fund*	638,825,500	51.1060400
Free Float*	611,091,275	48.8873020
Other**	83,225	0.0066580
Total	1,250,000,000	100.0000000

* TRY 549,932 shares out of total shares belonging to Turkey Wealth Fund are eligible to be traded at Borsa İstanbul. The free float rate corresponds to 48.93%.

** The shares in the amount of TRY 80,604 under the "Other" group belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts); TRY 2,621 of the shares in the "Other" group belong to the shareholders whose shares are monitored under the DESA - Dematerialized Unknown Shareholder Account (KAYDBOH) due to the ongoing legal action.



We are a stepping stone for hundreds of thousands of young people's careers as well as a home for the entire professional life of many employees.



Key financial indicators and ratios

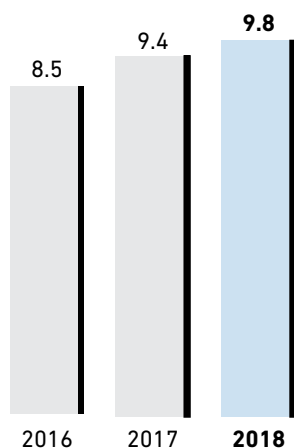
Halkbank increased its total assets by 23.9% to TRY 378.4 billion in 2018 as the Bank's market share by assets reached 9.8%. The Bank's shareholder equity reached TRY 29 billion in the same period.

12

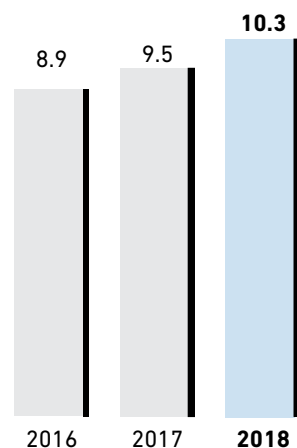
Halkbank's Position in the Sector

Market Share (%)	2017	2018
Total Assets	9.4	9.8
Cash Loans	9.5	10.3
Securities	11.2	14.0
Deposits	10.7	11.5
Shareholders' Equity	7.1	6.9
Profit	7.7	4.7

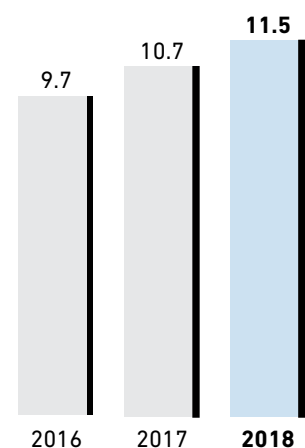
Total Assets Market Share (%)



Cash Loans Market Share (%)



Deposits Market Share (%)

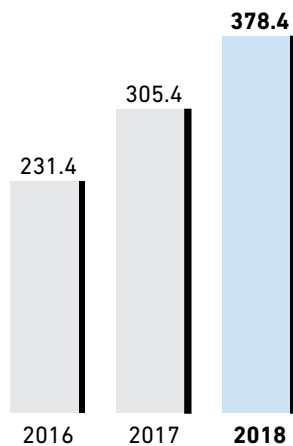


* Sector data dated December 31, 2018 and featured in the report was disclosed by BRSA on January 30, 2019.

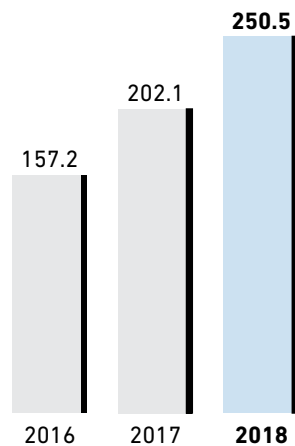
Key Financial Indicators (TRY Million)	2017	2018	Change (%)
Total Assets	305,351	378,422	23.9
Liquid Assets	43,726	40,098	-8.3
Cash Loans	202,137	250,546	23.9
Securities	48,903	74,557	52.5
Total Deposits	193,227	248,855	28.8
Shareholders' Equity	25,377	29,021	14.4
Net Interest Income	7,801	8,080	3.6
Net Fee and Commission Income	2,027	1,950	-3.8
Gross Profit	4,710	2,718	-42.3
Net Profit	3,725	2,522	-32.3

Key Ratios (%)	2017	2018
Interest Bearing Assets/Total Assets	81.0	82.7
Cash Loans/Total Assets	66.2	66.2
Non-performing Loans/Total Cash Loans (Gross)	2.93	3.29
Cash Loans/Deposits	104.6	100.7
Average Return on Assets	1.4	0.7
Average Return on Equity	16.0	9.3
Capital Adequacy Ratio	14.2	13.8

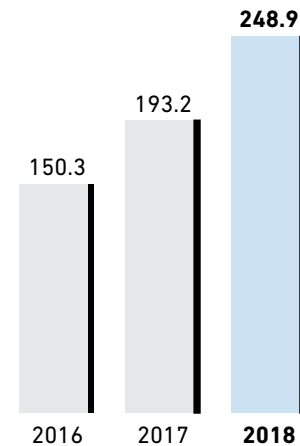
Total Assets (TRY billion)



Cash Loans (TRY billion)



Total Deposits (TRY billion)



* Cash loans include rediscount loans but exclude net non-performing loans. The corresponding amounts for 2016 and 2017 were also revised accordingly.

Halkbank's historical development

Halkbank's loan product diversity for investment-production, domestic-international trade, and retail customer financing is capable of serving all credit demand with competitive interest rates.

14

People's Funds

Halkbank provided credit services through the Public Funds channel, from which it received financing, from 1938 to 1950.

Aware of the need for a balanced social structure, the young Republic of Turkey embraced supporting small tradesmen and artisans and developing people's banking as targets in this direction.

However, economic hardships due to various reasons such as lack of capital formation, scarcity of productive sectors, and inadequacy of the private sector prevented the emergence of lending institutions that would support tradesmen, craftsmen and small business owners in the early years of the Republic.

The Great Depression of 1929 led to a very challenging economic environment in Turkey. During this period, the commercial activities of artisans and tradesmen contracted across the country.

Banks and other state enterprises that started operations in the years after the founding of the Turkish Republic were unable to address the unique problems facing small scale artisans and tradesmen, which made up the largest segment of the economy. As a result, Halkbank's establishment was decided to lend specifically to artisans, tradesmen and small businesses at favorable terms in order to achieve lasting economic development, social stability and peace.

Mustafa Kemal Atatürk, who stated, "It is extremely essential to create an organization that will provide small business owners and large industrial

enterprises with the loans they so desperately need, easily obtainable and inexpensively priced, and to lower the cost of credit under normal circumstances," paved the way for the inception of Halkbank.

Halkbank and the People's Funds Law

Halkbank was founded pursuant to the Halkbank and Public Funds Law enacted in 1933. This legislation promoted development of a hybrid system with a dual structure that





We are in the warm conversations of aunts Mürüvet and Demet, who we have known for years, as well as in the thick of life.

Halkbank's historical development

Replicating its successful performance in Turkey abroad as well, Halkbank has become one of the major players in Serbia and Macedonia in short order thanks to its extensive branch network.

16

included an occupation-based microcredit facility that Turkey lacked at the time. Under this system, Halkbank would manage micro-lending centrally while public funds would be set up to assume the principal function in the areas deemed appropriate by the Bank.

This hybrid system was put in practice five years after the enactment of the law and Halkbank began operating in 1938.

People's banking, which followed a similar path to cooperative movements in various countries, also began in Turkey with the establishment of Halkbank. Halkbank is the first bank of the middle class, and its representatives in the economy consisting of tradesmen, artisans and small businesses, in the sector.

Conducting its operations in light of Ataturk's words "my happiest day will be when I see magnificent factories replace the small shops of tradesmen," Halkbank provided credit services through the Public Funds channel, from which it received financing, from 1938 to 1950. Halkbank was authorized to open branches and lend directly in 1950. The Bank started increasing the pace of its activities as well as its deposit and lending volumes in 1964 and reached an important position in the banking industry.

Halkbank acquired Türkiye Öğretmenler Bankası T.A.Ş. (Töbank) in 1992, Sümerbank in 1993, and Etibank in 1998. Growing more diversified and stronger with each acquisition, Halkbank entered into the process of reorganization in 2000 to operate more effectively in the current, internationally competitive banking environment while preparing itself for privatization. In 2001, the Bank acquired Emlak Bankası with its 96 branches, personnel and balance sheet.

Pamukbank was merged into Halkbank in the second half of 2004. Finalized in only half the time of the originally estimated nine months, this integration went down in world banking history as a bank merger that was successfully completed in a very short period of time.

The first bank to establish an Entrepreneur Information Center in 1995 and the first bank in Turkey to offer a Women's Entrepreneur Loan in 2007, Halkbank has always been a pioneer in the industry. It was also the first state-owned bank to use TV banking and to open an offshore branch abroad.

Record Demand for Public Offering

Halkbank's share flotation in 2007 generated record demand as the largest ever public offering in Turkey at that time. Some 24.98% of the Bank's outstanding shares were sold for

TRY 2.5 billion. Bids placed by domestic and international investors for the Bank's floated shares totaled TRY 17.3 billion, eight times the size of the offering. Halkbank's successful flotation received the "Best Public Offering" award for the year from Sweden-based East Capital, a leading independent European investment company.

In 2012, Halkbank carried out a secondary public offering of its shares that increased its free-float ratio to 48.9%. As a result of a successful public offering, TRY 4.5 billion sales were realized. Of the total offering, 80% of the shares were sold to foreign investors while domestic corporate investors and domestic individual investors were each allocated 10%. Halkbank completed its secondary offering, recorded as the largest public offering on the Borsa İstanbul A.Ş. and the third-largest in Europe in 2012, with the smallest discount to date, marking yet another notable achievement for the Bank.

Prestigious Position in the Sector

Since its establishment, Halkbank has always prioritized those investments that contribute to both Turkey's economic and social development. Thanks to major strides taken in recent years, the Bank continues to strengthen its well-respected position in the banking industry attained through a countrywide branch network, high quality products and services, and a professional approach to SME banking.

Striving to extend resources to productive enterprises and to create value for Turkey, Halkbank meets all funding demand with competitive interest rates thanks to its diversified range of loan products for investment, production, domestic and foreign trade, and retail financing. In addition to its domestic funding sources, the Bank also cooperates with international financial institutions including the World Bank, European Investment Bank, the Council of Europe Development Bank and the French Development Agency. Furthermore, Halkbank offers a wide range of conveniences to SMEs including special loans and products tailored to their specific requirements, local and regional needs through credit agreements with chambers of commerce and industry throughout Turkey.

Halkbank works to increase cooperation with regional development agencies; increase the loans extended through KOSGEB (Small and Medium Enterprises Development Organization) and KGF (Credit Guarantee Fund of Turkey); and bolster the amount and variety of funding sources secured from international financial institutions. Additionally, Halkbank is constantly evolving and implements organizational change strategies to provide better service to SMEs and meet their specific needs with fast, effective, high-quality solutions that ultimately aim to contribute to the country's economic development by strengthening SMEs, the foundation of Productive Turkey.

The Bank of "Firsts" in Retail Banking

Upon the leap taken into the retail banking segment, Halkbank enriched its consumer loan portfolio with offerings that meet every type of need with attractive terms. In addition to general purpose loans for education, healthcare and vacations, the Bank added retail loans with convenient repayment options for target occupational groups to its existing product portfolio.

Thanks to a partnership agreement between Halkbank and HSBC in 2007, Halkbank credit cards were enhanced

with Advantage features. As a result, Halkbank enabled cardholders to benefit from the installment and CashPoint features of the Advantage card.

Europe's first prepaid contactless debit card launched thanks to a partnership between Halkbank and Visa. Bank24 Jet combines many functions including a contactless payment card for small-sum purchases, a public transit card, KGS, a self-service payment card and a pass card.

With its initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management Systems Certification in 2008.

In December 2012, Halkbank terminated its Advantage card partnership with HSBC and launched a new credit card brand, Paraf, with the slogan, "Paraf: Home of Benefits." Having introduced numerous firsts to the sector with distinctive promotional campaigns and innovative features, Paraf posted significant increases in card numbers and market share. Halkbank was selected the "Bank with the Largest Growth in Visa Credit Card Shopping Volume" at the Visa 2014 Achievement Awards.

With Paraf, which is not only a credit card product but also a platform that enables partnerships with other banks, Halkbank plans to offer services customized according to the personal preferences and needs of customers.

Strong Technological Infrastructure

Halkbank's use of advanced technology serves as a powerful competitive advantage. Thanks to a revamped technological infrastructure, centralized database and automated operations facilities, the Bank significantly reduced the operational task workload performed by the branches for settlement and reconciliation purposes. Halkbank has launched a wide variety of technology related initiatives, including "data warehousing, data mining and customer relationship management;" these projects help facilitate the Bank's business strategy

development and decision-making processes, identification of customer profiles and needs, and product and service offerings.

Halkbank implemented the "Identity Management System" in 2008 at the Head Office and branches. The Identity Management System allows employees to conduct all banking transactions as well as to receive healthcare and social security services using a single ID number or card.

In order to facilitate customer banking transactions across all platforms, Halkbank uses technology infrastructure and processes as needed in today's world and financial services industry.

A Powerful Regional Player

Halkbank is striving to extend its robust domestic performance to overseas markets and to become a strong regional bank in Turkey's surrounding geography. In 2011, Halkbank acquired the shares of Export and Credit Bank Inc., the SME bank of Macedonia. Aiming to be one of Macedonia's top three banks, Halkbank operates in the country under the name Halk Banka A.D., Skopje. In 2012, Halk Banka A.D., Skopje acquired Ziraat Banka A.D., Skopje along with all of its assets, liabilities, branches and personnel.

In 2015, Halkbank bought a 76.76% stake in Cacanska Banka and renamed it Halkbank A.D. Beograd. Halkbank continues to make long-term investments in Serbia. After the capital increase and the share sales, Halkbank holds a 100% stake in Halkbank A.D. Beograd. It has opened the subsidiary's 37th branch in Novi Pazar as the latest stage of its growth strategy in the Serbian market.

In the coming years, Halkbank plans to continue seizing opportunities that arise in the Balkans, to establish a strong regional presence there, and function as a bridge between Turkey and that burgeoning area.

Halkbank Headquarters Moves to Istanbul

At Halkbank's Ordinary General Assembly Meeting held on March 29, 2013, the Bank's headquarters was relocated from Ankara to Istanbul, with the approved amendments made to the Articles of Association.

Milestones

Halkbank won the first place prize in the “Banking and Other Financial Services” sector at the Turkey’s 500 Largest Services Exporters Awards organized for the third time by the Turkish Exporters’ Assembly (TIM).

18

1933

Founded pursuant to the Halkbank and Public Funds Law, Halkbank carried out credit services through the Public Funds channel for which it provided financing from 1938 to 1950.

1940

Halkbank extended its first SME loans to small and medium-size enterprises.

1950

Having conducted credit services through the Public Funds channel since 1938, Halkbank was authorized to open branches and lend directly in 1950.

1964

Halkbank created the first fund for the construction of small industrial parks and marketplaces. That same year, the Bank started working actively to expand the deposit base and lending volume.

1975

Halkbank became the bank of larger industrial enterprises as well with the launch of industrial investment and working capital loans.

1992

Halkbank grew with the acquisition of a number of banks starting in 1992. As part of this process, Türkiye Öğretmenler Bankası (Töbank) was merged into Halkbank during the year with all of its personnel, branches, assets and liabilities.

1993

Halkbank acquired Sümerbank’s assets and liabilities in 1993.

1995

The first Entrepreneur Information Center was established.

1998

Etibank was merged into Halkbank in 1998, with only the acquisition target’s assets and liabilities.

2000

Halkbank launched restructuring initiatives pursuant to Law No. 4603 on the restructuring of state-owned banks to operate in accordance with the requirements of the current globally competitive banking environment and to prepare for privatization.

2001

Halkbank acquired Türkiye Emlak Bankası, with the target company’s 96 branches, personnel and balance sheet.

2004

In the second half of 2004, Pamukbank was successfully merged into Halkbank with all the target company’s assets, liabilities, branches and employees.

2007

Halkbank’s public offering in 2007, which met with record demand, was registered in the history of the Borsa İstanbul A.Ş. as the largest public offering carried out in Turkey at that time. 24.98%

of Halkbank shares were floated. Thanks to this successful public offering, Halkbank received the annual "Best Public Offering" award from East Capital, a leading European investment company. Under an agreement between Halkbank and HSBC that year, Halkbank credit cards were enhanced with Advantage features.

2008

Halkbank credit cards were redesigned to offer all benefits of Advantage and launched under the Halkbank Advantage brand.

With an initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management Systems Certification in 2008.

In addition, Europe's first prepaid contactless debit card launched thanks to a partnership between Halkbank and Visa; Bank24 Jet combined a large number of diverse functions in one single card.

In 2008, Halkbank launched the SME Transformation Project to help SMEs comply with domestic and international regulatory requirements and practices with regard to corporate social responsibility, environment, occupational health and safety and energy efficiency.

2009

Entering into cooperation agreements with development agencies, Halkbank started collaborating with these agencies, the first bank to become a solutions partner to this segment.

2011

Halk Academy, an in-house banking school, was restructured to provide the highest quality training for Halkbank employees. The Academy administered programs that generally related to banking, personal development and social responsibility.

Halkbank Operations Center was established as part of the Operational Transformation Project that was initiated to increase the Bank's efficiency and accelerate growth.

Striving to extend its successful domestic performance to overseas markets and become a powerful regional bank, Halkbank acquired the shares of Export and Credit Bank Inc. /Skopje, the SME bank of Macedonia in 2011. Aiming to be one of Macedonia's top three banks, Halkbank operates in the country under the name Halk Banka A.D., Skopje.

2012

Halkbank launched the credit card brand Paraf with the slogan, "Paraf: Home of Benefits" in 2012.

In 2012, Halkbank carried out a secondary public offering of its shares that increased its free-float ratio to 48.9%.

In 2012, Halkbank secured a syndicated loan amounting to EUR 558 million and USD 207.5 million with the participation of 46 banks from 23 countries and successfully completed a USD 750 million Eurobond issue, confirming the Bank's strong reputation in the eyes of international investors. The Bank also issued TRY 1,5 billion in bank bonds.

Milestones

In 2018 Halkbank unveiled the Paraf Esnaf (Tradesman) and Paraf KOBİ (SME) credit cards in the commercial credit cards market while rolling out the Parefree youth card in the retail credit card segment.

20

2013

At Halkbank's Ordinary General Assembly Meeting held on March 29, 2013, the Bank's headquarters was relocated from Ankara to Istanbul, with the approved amendments made to the Articles of Association.

Halkbank expanded the Paraf card product portfolio in 2013 and introduced Parafly, a credit card designed specifically for travel spending. Reaching its year-end target after just six months, the Bank issued some 3,2 million Paraf cards to customers in 2013.

Halkbank rolled over its syndicated loan of EUR 562 million and USD 259 million with the participation of 41 banks from 19 countries and placed the Bank's second Eurobond issue which amounted to USD 750 million. The Bank also issued TRY 2,5 billion in bank bonds.

2014

Halkbank revolved its EUR 511.5 million and USD 112 million syndicated loan through a consortium comprising 34 banks from 17 countries in 2014. It also carried out a third Eurobond issue with a nominal value of USD 500 million. Additionally, the Bank issued TRY 2,75 billion in corporate bonds.

Paraf Credit Card garnered Halkbank the "Bank with the Largest Growth in Visa Credit Card Shopping Volume" designation at the Visa 2014 Achievement Awards.

2015

In March 2015, Halkbank acquired a 76.76% stake in Cacanska Banka A.D., Cacak, which has branches in various regions of Serbia. Halkbank renamed the newly acquired bank Halkbank A.D., Beograd.

Halkbank ranked high in The Banker's survey on the world's most reliable banks. Halkbank placed 102nd on the list which ranks 250 world banks for robustness and reliability, based on a range of criteria that includes asset quality, liquidity, risk environment, and profitability.

In 2015, Halkbank once again rolled over its syndication loan, securing EUR 640 million and USD 179 million. Furthermore, the Bank issued its fourth bond (Eurobond) worth USD 500 million in international markets, and a bond worth TRY 3.5 billion in the domestic markets.

2016

Halkbank's Mobile Banking app, upgraded in early 2016, garnered the Bronze Award in the "Most Innovative Mobile Banking Application" category at the Stevie Awards, which recognizes excellence in the business world at the international level.

Continuing to undersign new cooperation with its financial stability and reliable reputation internationally, Halkbank raised funds by issuing bills with a nominal value of USD 500 million (its fifth Eurobond) in international markets, bonds worth TRY 4.7 billion in the domestic market, while also reaching a syndication deal of USD 175 million and EUR 476.5 million.

Following completion of the registration process in Singapore, the Bank inaugurated its Singapore representative office.

In 2016, Halkbank took its efforts in the area of sustainability to the next level, and joined the BIST Sustainability Index.

2017

Halkbank raised its total assets to TRY 305.4 billion and became the fifth largest bank in Turkey.

Pursuant to the Resolution numbered 2017/1 dated February 3, 2017 by the Privatization Board of Turkey, shares held by the Privatization Administration of Turkey were removed from the scope of the privatization program and they were transferred to the Turkey Wealth Fund on March 10, 2017.

Leveraging its financial stability and credible brand perception on the international stage to forge new partnerships, Halkbank issued a 10-year, TRY 1 billion Tier II debt security. In addition, the Bank raised TRY 8,3 billion from public offering or direct placement to qualified investors of corporate bonds.

Boosting its international brand value thanks to its robust financial base, Halkbank managed to be among the companies included in the Emerging Markets Index chartered by FTSE, an independent joint venture of the London Stock Exchange and the Financial Times.

The first Turkish bank to implement the ISO 50001 Energy Management System as part of its sustainability initiatives, Halkbank received the Low Carbon Hero award from the Sustainable Production and Consumption Association on April 26, 2017.

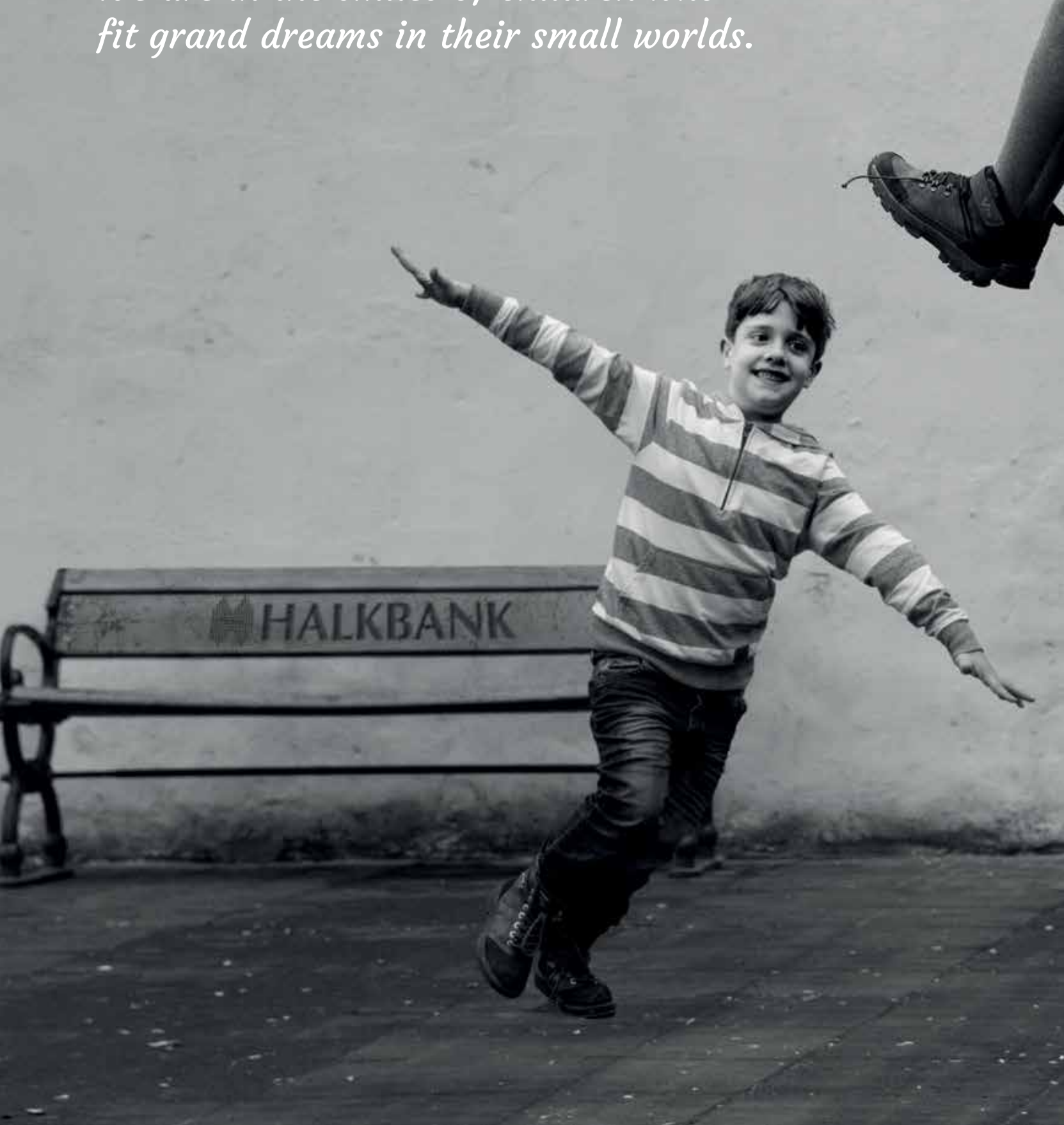
2018

In 2018 Halkbank issued TRY 4.9 billion in subordinated bonds and TRY 1 billion in mortgage-backed securities. In addition, the Bank raised TRY 11.2 billion from direct placement to qualified investors of corporate bonds without going through a public offering process.

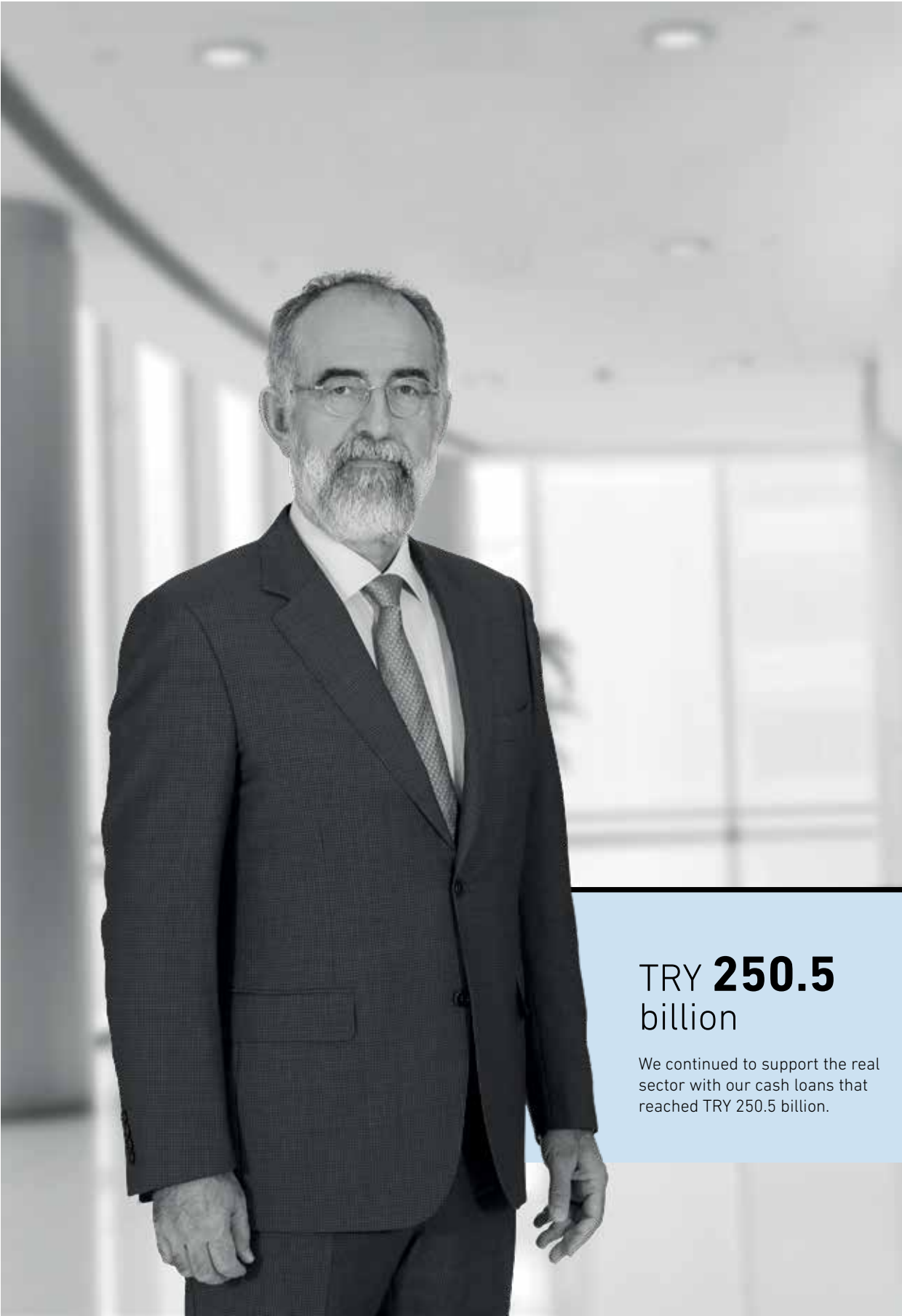
In 2018 Halkbank unveiled the Paraf Esnaf (Tradesman) and Paraf KOBİ (SME) credit cards in the commercial credit cards market while rolling out the Parefree youth card in the retail credit card segment.

Halkbank won the first place prize in the "Banking and Other Financial Services" sector at the Turkey's 500 Largest Services Exporters Awards organized for the third time by the Turkish Exporters' Assembly (TIM).

*We are in the smiles of children who
fit grand dreams in their small worlds.*







TRY **250.5**
billion

We continued to support the real sector with our cash loans that reached TRY 250.5 billion.

Chairman's assessment

Our primary goal has always been and will always be to create more value for Turkey and the Turkish people at every step. In an effort to be worthy of the People (Halk) we are proud to be named after, we will always work as hard as we can and walk hand-in-hand toward the vision of a stronger Turkey.

Esteemed Stakeholders,

The performance of emerging market economies were directly impacted by political tensions that had an immediate effect on international trade as well as rising regional geopolitical risks in 2018. Financial markets witnessed periodic fluctuations during this time due to harshening rhetoric of leading global political actors and imposition of sanctions that impact commercial transactions. Growth projections were revised down regularly in the reports assessing the global economic outlook during 2018, which was off to a good start with optimistic expectations from international institutions.

As the trade war between the United States and China that escalated with retaliatory sanctions spread throughout the world, companies operating on a global scale were forced to find new markets. The markets relaxed further in the last part of the year as expectations for the U.S. Central Bank (the Fed) to slow down the pace of rate hikes as well as favorable political messages increased, and oil prices retreated.

The main determinative of this period is the rising trend in favor of high technology product exports in the countries that rely on foreign resources in financing investments.

That technology and efficiency have become the determining factor in international competition is better understood across the world. In the face of scale economies that emphasize mass production, SMEs' manufacturing capacities that offer tailored solutions to customer needs have gained significance. Economies driven by SMEs, such as Turkey, will surely benefit from this transition.

After starting 2018 with a 7.4% growth performance in Q1, Turkey spent the second half of the year trying to fend off speculative attacks initiated overseas. Defining its new economic model based on rebalancing, discipline and change in the medium term, Turkey managed to minimize the impact of fluctuations thanks to economic measures and fiscal reforms. Emphasis on domestically-produced goods awareness and adherence to fiscal discipline created value for the economy that ran a current account surplus month after month during this period.

The Turkish banking industry maintained its robust standing in the financial markets in terms of effective resource management and high asset quality. The sector's capital adequacy ratio ticked up 40 basis points to 17.27% while shareholders' equity reached TRY 421.2 billion as of year-end 2018.

Loans, which represent the largest asset line item, grew 14.1% while deposits, the banks' biggest source of funding, rose 19.6%. Reinforcing economic stability with their strong financial position, Turkish banks never allowed a liquidity crunch in the domestic market.

Esteemed stakeholders,

As was the case during our 80-year history, we continued to fulfill the responsibility and awareness of being a national in 2018. We spent every day we had under the Halkbank roof thinking about how to serve our customers better and what steps to take in order to move the Bank to the future. Our primary goal has always been and will always be to create more value for Turkey and the Turkish people at every step. In an effort to be worthy of the People (Halk) we are proud to be named after, we will always work as hard as we can and walk hand-in-hand toward the vision of a stronger Turkey.

Sincerely,

R. Süleyman ÖZDİL
Chairman



General Manager's assessment

Thanks to its robust financial underpinnings and asset quality, Halkbank had a productive year in 2018 while collaborating with companies that serve the national interests in an effort to support the real sector.

27

Esteemed stakeholders,

In the 80th anniversary of the Bank, which prides itself for providing Turkey and the Turkish people with superior service since the day it was established, the entire Halkbank family exhibited dedication and hard work and performed strongly to be worthy of its investors and customers. In a year replete with developments in the world and in Turkey with direct impact on the economy, our increasing work discipline and overall motivation allowed us to attain financially effective results. The products we develop as a supporter of artisans and SMEs increased the real economy's access to financing while our faith in the ideal of a strong economy and a strong Turkey guided our operations.

The banking industry operates in adherence to public discipline within the guidelines set forth by the economic administration, which makes effective and quick decisions under a strong institutional coordination. The sector's priority in its support for every measure, including the amendment to the Decree on Protecting the Value of the Turkish Currency and All-out Fight against Inflation, was to be an integral part of financial stability.

The partnerships we established as well as the steps we have taken to ease the burden on the real economy provided an impetus for Turkey, as the Turkish economy began running a current account surplus after three years and exports made a big leap. Chief among the partnerships launched by the banking sector are Credit Guarantee Fund of Turkey (KGF)-sponsored loans, the Relief Loan offered in cooperation with the Union of Chambers and Commodity Exchanges of Turkey (TOBB), and the cooperation protocol inked with the Turkish Exporters' Assembly. A number of products, including mortgage campaign, zoning amnesty, and military exemption loan, spearheaded by state banks helped revive the domestic market.

As we work as hard as we can to serve our country, a number of new regulations strengthened Turkish banks. The decree of the Capital Markets Board in late 2018 amending the Communiqué on Asset-Backed and Mortgage-Backed Securities and the Communiqué on Covered Bonds diversified the innovative and safe investment vehicle alternatives. Reducing the risks assumed by investors, this regulation lowered borrowing costs while increasing our capability to tap the capital markets.

Thanks to its robust financial underpinnings and asset quality, Halkbank had a productive year in 2018 while collaborating with companies that serve the national interests in an effort to support the real sector. It has always been a priority for us to turn artisans into SMEs, and SMEs into large industrial firms. The e-Export Initiative, unveiled with the purpose of enhancing Turkey's competitiveness in international markets and also supported by the Bank, helped SMEs make sales to a large number of countries. Significantly contributing to firms' international marketing and branding activities, this project assisted Turkish companies in establishing a larger presence in global trade.

While encouraging export-oriented industries, we also undertook initiatives to sustain firms' operations in the domestic market. We launched Paraf Artisan as our credit card exclusively for artisans while unveiling Paraf SME for SMEs during the year.

General Manager's assessment

All of the products and services we develop are launched based on the feedback we get from the field. To this end, the Bank spent a good part of its 80th year in the field, as our colleagues frequently met with representatives from the real economy.

28

All of the products and services we develop are launched based on the feedback we get from the field. To this end, the Bank spent a good part of its 80th year in the field, as our colleagues frequently met with representatives from the real economy. We held the first of Productive Turkey Meetings in Bursa this year followed by Trabzon and Samsun where we got together with hundreds of industrialists and SMEs. As part of the Tradesmen's Restaurant Conversations rolled out within the scope of the activities, we met with the tradesmen and heard the needs of our customers firsthand. Getting together with more than 10 thousand stakeholders in 13 provinces under the name of Ramadan Meetings as part of our 80th anniversary activities, we traveled thousands of kilometers.

Pursuant to our face-to-face banking approach, we held Shared Intelligence Meetings at Organized Industrial Zones with high export capabilities. During these activities that guide our efforts to support the real economy, we solicited feedback from industry representatives regarding what else we can do to aid the development of domestic industry. We organized 10 events this year where we conveyed our products and services to manufacturing firms during in-person meetings. We increased our SME Banking market share to 15.9% as a result of our innovative initiatives.

Esteemed stakeholders,

During our 80th year that we launched under the "Shared Tradition, Shared Future" motto, we continue to move forward with confident steps on the back of our deep-rooted banking culture. Halkbank family grew to 18,781 employees with the addition of 1,491 people this year. We continue to provide high-quality service to our people from 988 branches in 81 provinces.

We continue to perform successfully as a result of our efforts. The Bank ended 2018 with TRY 2.5 billion net profit and 9.3% return on equity (ROE). Our total assets increased 23.9% over the prior year to TRY 378.4 billion, while total deposits rose to TRY 248.9 billion. As a result of our pioneering work in SME Banking, our commercial loans, which also include SME loans, jumped 27.9% to TRY 205.8 billion in 2018 while the Bank's total loans, which include both cash and non-cash loans, increased 28% to TRY 333.6 billion. In the same period, our tradesmen loan volume amounted to TRY 31.1 billion.

While we created value for the Turkish economy with our financial performance, we continued to work with the awareness of our social responsibility in 2018. We carried out the "Children Ask, Halkbank Delivers"

project this year to realize the wishes of 80 children during the April 23 National Sovereignty and Children's Day. Further, during the month of Ramadan, we gave bicycles to 1,200 children, who we also introduced to theatre, in various Anatolian provinces as a report card present, distinguishing the Bank with our social and cultural activities.

Esteemed stakeholders,

As it has been the case for 80 years, Turkish people once again found high-quality service and products that fit their needs at Halkbank. As we leave 2018 behind with successful results and groundbreaking initiatives in the sector, we have high hopes for the coming year. We will continue to be committed to Turkey's future goals while working hard to support the real economy in order to help our industry develop and exports increase. I believe that we will continue to create value for Turkey with new accomplishments in 2019 while remaining steadfast to our banking approach based on efficient use of resources and diversification of funding sources.

Sincerely,

Osman ARSLAN
General Manager

*We are being greeted warmly by
pure-hearted Anatolian people in a
cold and remote corner of Turkey.*



Board of Directors and the Supervisory Board

30



(1) Recep Süleyman ÖZDİL
Chairman

(2) Himmet KARADAĞ
Vice Chairman

(3) Osman ARSLAN
Board Member and General Manager

(4) Meltem TAYLAN AYDIN
Board Member

(5) Mehmet Nihat ÖMEROĞLU
Independent Board Member

(6) Maksut SERİM
Board Member

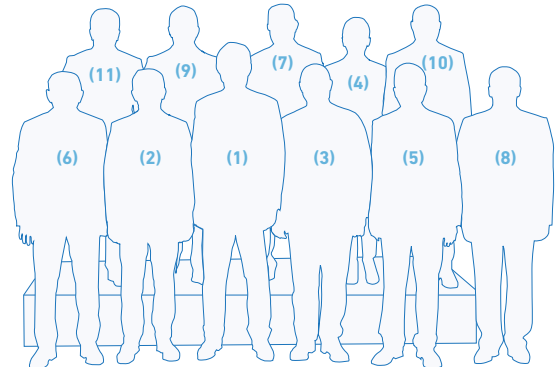
(7) Sadık TILTAK
Independent Board Member

(8) Sezai UÇARMAK
Board Member

(9) Dr. Ahmet YARIZ
Independent Board Member

(10) Prof. Dr. Yılmaz ÇOLAK
Member of the Supervisory Board

(11) Faruk ÖZÇELİK
Member of the Supervisory Board



Executive Management



(1) Osman ARSLAN
General Manager

(5) Ergin KAYA
Deputy General Manager

(8) Selahattin SÜLEYMANOĞLU
Deputy General Manager

(2) Mehmet Akif AYDEMİR
Deputy General Manager

(6) Metin KÖSTEK
Deputy General Manager

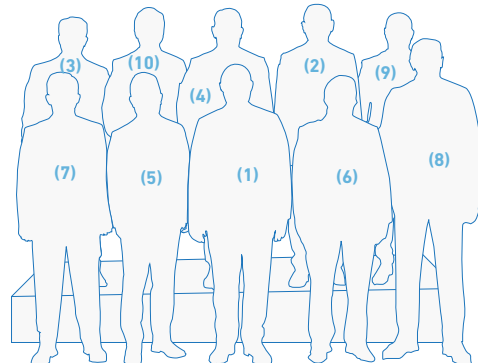
(9) Hasan TUNCAY
Deputy General Manager

(3) Mehmet Sebahattin BULUT
Deputy General Manager

(7) Yusuf Duran OCAK
Deputy General Manager

(10) Erkan KİLİMCİ
Deputy General Manager

(4) Mustafa ÇÖDEK
Deputy General Manager







*We extend from
the seas to the
skies with our
support for mega
projects, the
source of pride
for our country.*

Review of operations in 2018

Within the scope of Project Finance and Structured Finance activities as of the end of 2018, USD 577 million credit facilities were made available for 13 projects.

34

CORPORATE AND COMMERCIAL BANKING

In 2018, Halkbank extended to registered corporate and commercial segment customers a total of TRY 113 billion in cash credits, up 33.3% than the end of 2017 while non-cash credits reached TRY 70.2 billion with an increase of 44.5%.

Operating with a focus on customer satisfaction, Halkbank continued to expand in Corporate and Commercial Banking in 2018 by offering the most appropriate products, services and solutions in line with customer needs.

Halkbank's major goals include providing the products and services customers need via specialized staff and increasing customer satisfaction.

With a focus on customer satisfaction and profitability, Halkbank delivered top quality banking services to corporate and commercial clients at 7 corporate and 36 commercial branch locations in 2018. The Bank conducts its business activities in the corporate and commercial segment with a high-quality, productive and forward-looking banking approach. Halkbank also provided financing to its client's high-value projects, contributing to Turkey's economic and social development.

33.3% Increase in Credits

The rapid growth in the corporate and commercial banking segment continued in 2018, with lending reaching a wider customer base thanks to new customers in the portfolio. In 2018, Halkbank extended to registered corporate and commercial segment customers a total of TRY 113 billion in cash credits, up 33.3% than the end of 2017 while non-cash credits reached TRY 70.2 billion with an increase of 44.5%.

Halkbank Support to Mega Projects

Halkbank continued to perform marketing and feasibility studies as well as technical and financial analyses for a wide range of client projects including energy production, transmission and distribution projects (e.g. natural gas transmission and distribution; electricity transmission and distribution; hydroelectric, solar and wind power plants; geothermal power plants; thermal power stations); port, airport, toll road, highway and railway, rail system and metro transportation projects; hospital, shopping center, convention center, hotel with more than 800 beds, holiday resort, exhibition center construction projects; and build-operate-transfer, build-lease and operating right transfer projects.

The Bank has participated in the financing of numerous projects with significant public benefit and in line with the Bank's lending policies

including mostly Build-Operate-Transfer projects such as the Istanbul New Airport, the Gebze-Izmir Highway and Bridge Crossing, Northern Marmara Highway and Yavuz Sultan Selim Bridge.

USD 577 Million Credit for 13 Projects

Halkbank, through both the lending relations it has established with companies one-on-one and participation to banking consortium established in order to meet project financing, purchasing, takeover, merger and other corporate financing requirements of its customers, was one of the active participants of the market in 2018. Cash and non-cash credits totaling USD 577 million were offered to 13 projects with adequate feasibility and credit rating within the scope of Project Finance and Structured Finance activities as of the end of 2018. The total portfolio of Halkbank's structured finance, project finance and purchasing finance equaled USD 7.2 billion in cash and non-cash credits at the end of 2018.

Relations with International Institutions

In 2018, Halkbank maintained business relationships with international financial institutions – including European Investment Bank, World Bank and French Development Agency – from which it obtained long-term, low-cost funding. As a result, the Bank was able to provide cost-effective financing for the investments of many clients.



We are pleased to be the happy reflection of our customer-focused efforts on our customers' faces.

45% Increase in Corporate Collection Amount

In line with focusing on cashflow management as a strategic priority, Halkbank aims to boost its share of the cash flow of its customers. To this end, the Bank continued to develop and upgrade its systems infrastructure in 2018. With this effort, Halkbank aims to improve its current service offering and realize advanced technology projects to gain a competitive edge.

In an effort to create value for corporate and commercial segment clients, Halkbank leverages technology to execute payment and collection transactions efficiently, quickly and reliably and it increased the number of contracted institutions for corporate collections by 7% and collection amounts by 45% in 2018.

With special efforts and improvements on the Direct Debit System (DBS) in order to reach more primary companies and dealers, the number of parent companies increased by 35%, dealers by 42% and the collection amount increased by 85% when compared to the previous year.

Review of operations in 2018

Halkbank continued supporting strategic sectors, offering solutions for improving employment, providing innovative solutions to exporters, entrepreneurs wishing to set up their own businesses and SMEs that want to carry their business to the digital environment.

36

SME-ARTISANS BANKING

Halkbank supports young entrepreneurs and women entrepreneurs – who want to set up new businesses, have business ideas and those who want to expand their current businesses – with the KGF Sponsored Young Entrepreneur Loan and KGF Sponsored Women's Entrepreneur Loan launched in 2018.

Halkbank is the first name that comes to mind in SME Banking and the strongest supporter of Turkey's real sector. The Bank serves SMEs, and hence Turkey's economy, with a customer-focused approach that includes close contact with customers in the field. Halkbank sees and identifies SME needs and requirements first-hand on the spot with this perspective.

Taking service to its customers' door with 988 branches and over 2,600 Customer Representatives exclusively serving SMEs, Halkbank offered 24/7 support to SMEs with www.halkbankkobi.com.tr, Corporate Banking Branch, Halkbank Mobile, Artisan and SME Dialogue.

Sustaining its position as the leader of innovation and continuing to play an active role in the success of SMEs with its efforts in SME Banking in 2018 as well, Halkbank continued supporting strategic sectors, offering solutions for improving employment, providing

innovative solutions to exporters, entrepreneurs wishing to set up their own businesses and SMEs that want to carry their business to the digital environment.

Thanks to these efforts, despite the fierce competition environment, Halkbank managed a grand success in SME Banking and increased its market share from 14.8% at the end of 2017 to 15.9%^(*) as of 2018. The credits extended in 2018 by Halkbank to SMEs accounted for 39.4% of its total cash credits.

Solutions Specific to Sector and Business Lines

Along with generating specific solutions to unique demands of each sector with SME Support Packages, Halkbank also supports these sectors through packages specially developed for these sectors to create awareness towards strategic sectors.

In 2018, Halkbank offered new sector- and business line-specific solutions to clients, including Defense Industry Support Loan; Energy Efficiency and Renewable Energy Loan Package; Automotive Subsidiary Industry Support Loan; Furniture Sector Support Package; Medical Sector Support Package; Tea Sector Support Package; Fisheries and Fishing Loan; Industrial Agriculture Loan; TÜRSAB Travel Agencies Support Loan; and Pharmacy Loan Package.

Halkbank also continued determining needs and demands of the sector through Productive Turkey Meetings and Shared Intelligence Meetings getting together with the representatives from the sector, and listening to the sector and its requirements from its representatives.

Support to Youth and Women Entrepreneurs

In keeping with its long-standing mission of supporting entrepreneurs and social responsibility awareness, Halkbank places a great emphasis on fostering entrepreneurship, boosting employment, supporting entrepreneurs to start new businesses, and helping young people to actively participate in the economy.

Halkbank offers the Young, Bold, Master and Inventor Entrepreneur Loan products to those who want to start their own enterprises. These loans are designed according to key criteria such as educational level, age and work experience. Additionally, the Bank provides its Franchising Loan product to those entrepreneurs seeking to enter the franchising business.

In addition to Entrepreneur Loans, Halkbank supports young entrepreneurs and women entrepreneurs – who want to set up new businesses, have business ideas and those who want to expand their current businesses – with the KGF Sponsored Young Entrepreneur Loan and KGF Sponsored Women's Entrepreneur Loan introduced in 2018.

^(*) Calculations are based on the definition of small- and medium-size enterprises provided by the relevant regulation of the ^(*) Ministry of Industry and Technology.



We support our artisans, who know that the reward we get for our work is not financial-based but rather the smiles we receive from them.

Review of operations in 2018

In 2018, Halkbank launched the e-Export Project, which enables SMEs to commence exports and for exporter SMEs to enter new markets, by providing free virtual stores via their existing websites.

38

SME-ARTISANS BANKING

Despite the fierce competition environment, Halkbank managed a grand success in SME Banking and increased its market share from 14.8% at the end of 2017 to 15.9% as of 2018. The credits extended in 2018 by Halkbank to SMEs accounted for 39.4% of its total cash credits.

Digitalizing SMEs

Halkbank further bolstered its strong ties with SMEs via the www.halkbankkobi.com.tr platform, which serves more than 200 thousand registered members.

Aiming to support employment mobilization, Halkbank launched the Employment Support Loan in order to motivate and support SMEs to hire new employees.

Export Mobilization Loan Package

Halkbank generates customized solutions for and supports exporter SMEs in accordance with Turkey's strategies and programs. With its innovative efforts for meeting the demands and needs of export firms in order to improve the international competitive power of Turkey, Halkbank is offering as part of Export Support Package foreign currency loans, Turkish lira-denominated export loans, and letters of guarantee to SMEs gearing up for exports while providing installment export loans to SMEs that prefer to make installment payments on foreign currency-denominated credits and also, unique solutions to companies wishing to break into new markets.

With the Export Mobilization Loan Package launched in line with the agreement signed with Turkish Exporters Assembly (TİM), Halkbank facilitates foreign trade by providing convenient financing support to 71 thousand TİM-member exporters. With the CBT Rediscount Credit for Export and Foreign Exchange Earning Services and Growing Exporter Loan, Halkbank supports exporting companies and offers them the ability to protect against foreign



exchange rate volatility. The Bank's Call Option Foreign Exchange Loan allows exporters to hedge against such FX fluctuations. While Halkbank mediates low-interest Eximbank-sourced loans through its extensive correspondent network, the Bank also offers the possibility to companies to open letters of credit and perform other foreign trade transactions under affordable terms.

In 2018, Halkbank launched the e-Export Project, which enables SMEs to commence exports and for exporter SMEs to enter new markets, by providing free virtual stores via their existing websites.

We add value to Turkey's economy and to each loaded container for export, extending prosperity and hope that transcends borders.



Support for Digitalization and Technological Transformation

Currently, Industry 4.0 is making headlines both in Turkey and across the world, suggesting that SMEs must keep up with this technology transformation in order not to fall behind in global competition. Halkbank continues to encourage and support SMEs to realize this transformation. The Bank emphasizes the importance of Industry 4.0, innovation and R&D investments on every platform. Halkbank underscores that SMEs should focus their attention in these key areas while it continues work to finance these investments with long-term loans including payment free periods.

Halkbank maintained its success to SMEs that want to digitalize, include all possibilities presented by technology, mainly R&D and innovation into their business processes and that want to carry their business to the digital world with the SME Business Development Loan, e-Commerce Loan Package (Digitalization of SMEs Project) and Customized E-Commerce Support Package for SMEs.

Special Digital Platform for SMEs

Halkbank further bolstered its strong ties with SMEs via the www.halkbankkobi.com.tr platform, which serves more than 200 thousand registered members.

Over the portal www.halkbankkobi.com.tr, designed by Halkbank with the awareness that platforms to support SMEs are crucial for the development

of SME banking, Halkbank not only promotes its products and services but also allows customers to easily and rapidly apply for these offerings.

In addition to providing the most affordable financing solutions to SMEs, Halkbank also strives to assess their needs correctly and serve them with training and advisory support. The Bank offers SME customers the "Ask an Expert" feature on the www.halkbankkobi.com.tr platform, which serves nearly 200 thousand registered members. "Ask an Expert" provides quick answers to questions posed by SMEs to the Bank's expert advisors. Halkbank SME Experts, who respond to queries from platform members, also author monthly magazines that include articles of relevance to the platform's members, providing valuable guidance to SMEs and entrepreneurs.

Review of operations in 2018

Halkbank continues its support to tradesmen and artisans to meet the financial requirements of this key social group in the fastest, most efficient way by using cutting edge technologies.

40

SME-ARTISANS BANKING

In line with its founding mission, Halkbank continues to meet the financing needs of tradesmen, craftsmen and artisans, who make up an important part of society today, under the most favorable terms possible, while providing them with effective, top-quality banking services.

Halkbank provides round-the-clock support to artisans and SMEs over the dedicated phone line 0850 222 0 401 Artisan and SME Dialog. The phone line allows clients to obtain information on the Bank's products and services, make appointments, and receive other support services without visiting a branch.

The www.halkbankkobigelisim.com.tr website carried Halkbank's ongoing training services for the SMEs to the digital platform. Designed with the understanding that "Turkey Develops if SMEs Develop," the online training platform aims to ensure that all SMEs develop and overcome the hurdles in front of their businesses with the knowledge they will learn from this platform.

PROMINENT PRODUCTS AND SERVICES

Delivering all the banking products and services that SMEs need, Halkbank continues to support SME clients by working continuously to develop fast solutions in line with ever-changing market conditions and needs, expand its product range through new and innovative products, and establish partnerships with various institutions and organizations.

Halkbank launched the following products and services in line with SME needs in 2018 and updated existing products based on customer needs.

KGF-Sponsored Loans

As part of its partnership with the Credit Guarantee Fund of Turkey (KGF), Halkbank continued its efforts to inform all SMEs about KGF guarantees and enable them to be able to tap this resource in 2018. SMEs that were experiencing difficulties in obtaining financing due to lack of guarantees gained access to the needed funding thanks to the KGF-sponsored loans originated by Halkbank. Within the scope of three different KGF protocols signed on different dates, Treasury KGF Sponsored Loans were prioritized, thus Halkbank became the bank offering the highest level of loan guarantee utilization among all other banks.

KGF Sponsored Young Entrepreneur Loan, KGF Sponsored Women's Entrepreneur Loan and KGF Sponsored Industrial Agriculture Loan were launched in line with agreements signed with Credit Guarantee Fund.

TOBB SME Support/Relief Loan

A TOBB (Union of Chambers and Commodity Exchanges in Turkey) Relief Loan agreement was signed between TOBB and six banks, including Halkbank, on March 31, 2018. With KGF loan guarantee, the TOBB Relief Loan was initiated on April 2, 2018 and completed on July 18, 2018. Halkbank extended loans totaling TRY 2.2 billion to 14,106 TOBB members under this agreement.

Credit Guarantee Fund (KGF) Loans

KGF Sponsored Young Entrepreneur Loan, KGF Sponsored Women's Entrepreneur Loan, and KGF Sponsored Industrial Agriculture Loan were launched in line with agreements signed with Credit Guarantee Fund.

A new agreement was signed to utilize the SME Support/Relief Loan for SMEs in need on August 31, 2018 between TOBB, eight banks including Halkbank and KGF. The loan was launched on September 21, 2018. Halkbank extended loans amounting to TRY 432 million to 3,528 TOBB members under this agreement in 2018.

KOSGEB Interest Support Loans

Halkbank and the Small and Medium Enterprises Development Organization of Turkey (KOSGEB) signed new protocols in 2018. Under these protocols, Halkbank offers financial support at favorable terms to manufacturing enterprises registered in the KOSGEB database. Companies having the prerequisite requirements of the protocol and qualified to receive support from KOSGEB, were supported with KOSGEB Domestic and New Machinery Equipment Loan, Osmaniye Province, Kadirli District Emergency Support Loan, Iğdır Emergency Support Loan and Şanlıurfa Emergency Support Loan.

Loans with Treasury-subsidized Interest

In line with its founding mission, Halkbank continues to meet the financing needs of tradesmen, craftsmen and artisans, who make up an important part of society today, under the most favorable terms possible, while providing them with effective, top-quality banking services.

The Bank continues its support to tradesmen and artisans to meet the financial requirements of this key social group in the fastest, most efficient way by using cutting edge technologies.

In addition to working capital loans with Treasury-subsidized interest to artisans and tradesmen with monthly, quarterly and semi-annual repayment period options up to a 60-month term, Halkbank also offers investment loan products for workplace and vehicle purchases with monthly and quarterly repayment period options up to a 120-month term.

Halkbank's Loans with Treasury-subsidized interest for artisans and tradesmen are offered with attractive interest rates and favorable terms under the guarantee of the 999 Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK) or directly by the Bank without a cooperative's guarantee.

Under the initiative in which loans with Treasury-subsidized interest rate payments are extended by Halkbank to tradesmen and artisan customers in 2018, those active in professions that are near extinct, those with certificates of mastership who set up new businesses and young entrepreneur artisans and tradesmen, are given a 100% interest rate discount with zero interest. Besides, tradesmen and artisans received 50% interest rate payment support from the Treasury for working capital and investment loans.

Under the Treasury-supported loans for tradesmen and artisans program in 2018, loans with a maximum maturity of one year had an interest rate of 8% and those with a longer maturity term had an interest rate of 10%.

In addition, loans with Treasury-subsidized interest for artisans and craftsmen are exempt from the banking insurance transaction tax (BSMV)^(*), stamp duty, and resource utilization support fund tax (KKDF).

Loans to 493,704 Tradesmen and Artisans

Total Treasury-subsidized loans to tradesmen and artisans rose from TRY 23,743 million at end-2017 to TRY 31,126 million at end-2018, up 31%.

As of year-end 2018, total Treasury-subsidized loans extended to tradesmen and artisans under ESKKK guarantee amounted to TRY 29,841 million, while Treasury-subsidized loans without ESKKK guarantee granted directly by the Bank totaled TRY 1,285 million.

^(*) In Treasury interest subsidized direct loan allocations, non-manufacturing firms cannot benefit from BSMV tax exemption.

At the end of 2018, the Bank extended 100%-interest rate discounted (zero interest rate) loans totaling TRY 204.1 million. Of this total, TRY 193.9 million went to those in this segment who took out zero interest rate loans of up to TRY 30,000; TRY 2.5 million was allocated to tradesmen and artisans with mastership certification who were setting up new businesses; TRY 2.2 million was obtained by tradesmen and artisans operating in professions nearing extinction, TRY 4.5 million went to terrorism-victim tradesmen and artisans active in the Sur district of Diyarbakır province; and TRY 1 million was extended to young entrepreneurial tradesmen and artisans.

Following the new amendment in 2017, the individual upper limits of Treasury-subsidized operating loans to ESKKK partners were according to the risk groups of the cooperatives; the individual upper limits of direct, Treasury-subsidized allocations remained gradually at TRY 100 thousand to TRY 200 thousand according to the customers' risk groups in 2018 as well.

Halkbank offered Treasury Interest-Subsidized Investment Loan to help tradesmen and artisans own their current or prospective places of business or to enable them to purchase new motor vehicles for business use up to a term of 120 months with a maximum amount of TRY 500 thousand. The Bank originated TRY 185.5 million for workplace purchases and TRY 118.1 million for motor vehicle acquisitions, for a total of TRY 303.6 million in investment loans within this scope.

In 2018, Halkbank introduced the Paraf Tradesmen Card product to meet the commercial credit card needs of tradesmen and artisans. The card can be used for all goods and services purchases on all kinds of POS devices. In addition, cardholders can benefit from discount and special deal offers within a specified limit at contracted suppliers.



*We fully support all our artisans
during their hard work and pursuit of
their craft.*



Review of operations in 2018

A central pillar of Retail Banking operations is developing new products that respond to ever-changing customer needs and fluctuating market dynamics while meeting Halkbank's performance objectives.

44

RETAIL BANKING

90% of Halkbank's banking transactions were performed through alternative distribution channels (ADC) through use of non-branch delivery channels intensively in order to increase customer satisfaction, reduce the operational workload at the branch level, deepen customer relationships and acquire new clients.

Adopting a customer-focused banking approach, Halkbank offers suitable solutions to customer's changing and diversifying needs with its 80 years of experience, constantly renewed technological infrastructure and extensive service network.

Along with Traditional Retail Banking services, Halkbank offers various financial products and services tailored to the needs of customers and the personal loans extended reached TRY 44.7 billion, corresponding to 18% of total cash loans.

Ground-breaking, Pioneer and Differentiated General Purpose Loans

A central pillar of Retail Banking operations is developing new products that respond to ever-changing customer needs and fluctuating market dynamics while meeting Halkbank's performance objectives. Halkbank's strategic priorities include boosting product and service quality, and diversifying the product offering to capture a higher market share.

The Bank continued offering an array of diversified loan products to its customers including traditional consumer loans such as "Medicine Festival Loan" for the healthcare sector, "Loan 155" for police officers, "Teacher's Day Loan" for the teachers in the education sector and "Halk Day General Purpose Loan," "Bayram Ettiren Kredi (Holiday Celebration Loan)" and other general purpose loan products priced according to specific customer segments such as Payroll 24, public sector, pensioners and private sector employees.

Halkbank supported its retail customers in 2018 with personal loan products customized to meet their specific financing requirements. The Bank launched the Zoning Peace Loan in response to newly introduced Zoning Peace legislation and the Paid Military Service Loan for Turkish citizens who want to benefit from the paid military service option.

Halkbank is committed to diversifying services offered to disabled customers with a social responsibility perspective. To this end, the Bank designed its retail loan contracts with the Braille alphabet. In addition, the Bank improved its banking practices by introducing audible notifications and uploading videos with sign language translations to its website.

Financial Solutions in Housing Loans

Halkbank has become one of the most preferred banks in mortgage lending thanks to a broad product range, flexible

repayment options customized for each customer, and attractive promotional campaigns.

Halkbank views housing loans as the basis of a long-term relationship of trust with customers. To this end, the Bank continued in 2018 with the "My Sweet Home" scheme and the "My Economical Home Mortgage Loan" to offer individuals payment plans at attractive interest rates so that they can become homeowners.

Halkbank developed differentiated solutions at the request of retail home buyers as well as residential construction companies and participated in nearly 400 branded residential development projects in Istanbul and other large metropolitan areas.

Special Solutions for Salary Payment Clients

The Payroll 24 Consumer Loan product, especially designed for customers who collect their salary via Halkbank, was offered with a low interest rate to meet the cash requirements of customers prior to payday.

During the year, the Instant Package was maintained for customers collecting their salaries via Halkbank. Salary-payment customers are able to swiftly access previously allocated loans especially for their use. For salary-payment customers, the Bank also developed the Instant Salary Advance and Instant Loan products.



We are pleased with the answers our Uncle Okan and Aunt Nur received in response to their numerous questions about their savings.

Review of operations in 2018

90% of Halkbank's banking transactions were performed through Alternative Distribution Channels (ADC) through use of non-branch delivery channels intensively in order to increase customer satisfaction.

46

RETAIL BANKING

In 2018, Halkbank recorded 315 million transactions at its ATMs, up 8% from the previous year. Meanwhile, total annual ATM transaction turnover increased to TRY 101 billion, up 23%.

Sales and customer activation

Halkbank also made extensive use of ADCs in the Bank's sales and client activation initiatives. "Welcome" calls were made for new bank, retiree and credit card customers and activation and membership efforts were shown for passive ADC customers.

Retail Banking Solutions for Pensioners

Halkbank is committed to fostering the trust of pensioners and meeting their expectations. To this end, the Bank offers an array of privileged services to retired customers. In 2018, Halkbank introduced the Pensioner Banking segment and took a step toward developing a greater range of special products and services designed for its retired customers.

Retirees whose pension payment accounts are at Halkbank or who promise to transfer their pension accounts to the Bank were offered the Smiling Pensioner Loan with low interest or free assignment. Halkbank also offers the Mini Pensioner Loan for pensioner customers to pay for their small value needs conveniently.

Golden Days from Halkbank

To integrate physical gold kept "under the mattress" with the economic system, many Halkbank branch locations regularly hold gold collection events known as "Golden Days from Halkbank."

Corporate Salary Payment

Halkbank proceeded with developing its salary payment intermediation services and acquiring new institutions with high efficiency potential. As of the end of 2018, 1.3 million customers were receiving their salary payments from Halkbank.

Paraf Era in Credit Cards

Since entering the credit card market in December 2012, Paraf has gained a strong position by offering innovative products with a competitive edge to customers and steadily increased its market share.

In 2018, Paraf further extended its credit card range. The newly launched Paraf Tradesmen and Paraf SME credit cards enable tradesmen and SMEs to meet all their requirements via a single card in the commercial credit card segment. In addition, Parafree youth card was added to the credit card portfolio with Paraf's advantages offered to university students between 18 and 25.

ParafPOS

Following the launch of Paraf Card in the market in 2012, the Bank has worked to boost the number of its POS devices, ensure that its bank cardholders can easily access special offers at more contact points as part of the loyalty program, and increase its market share in terms of turnover. To this end, Halkbank offers a diversified range of options that includes the Cash Register POS, Fixed POS, Mobile POS, Virtual POS, Economic POS and Dial-Up POS products.

During the year, Halkbank conducted POS device and cash register POS device sales driven by various promotional campaigns. The Bank aims to become a dominant player in the POS market while also preventing contracted member workplaces from experiencing any problems. Halkbank ranks sixth in the POS market with an 8.4% share. The Bank's POS turnover market share increased to 5.8% in 2018.



90% of Banking Transactions Performed Through ADC Channels

90% of Halkbank's banking transactions were performed through alternative distribution channels (ADC) through use of non-branch delivery channels intensively in order to increase customer satisfaction, reduce the operational workload at the branch level, deepen customer relationships and acquire new clients.

Halkbank also made extensive use of ADCs in the Bank's sales and client activation initiatives. "Welcome" calls were made for new bank, retiree and credit card customers and activation and membership efforts were shown for passive ADC customers. Along with credit card recovery, courier returned cards, returned cards, contact information update, offering pre-approved credit/card products to customers, product activation, limit extension and automatic bill payment order, sales efforts such as cash advance with installments, post-facto installments, consumer confidence

We offer the privilege of a shopping-friendly card on a fun-filled shopping spree with friends.

index, credit card debt structuring, Paraf tradesmen card promotion and insurance sales continued intensively throughout the year.

The Bank frequently conducted proactive initiatives such as updating the contact data of customers whose cards have expired and soliciting requests for e-statements, which reduced the Bank's statement mailing costs. In addition, information and guidance efforts for especially gold deposit accounts and insurance works were carried out over ADC. In 2018, within the scope of customer satisfaction survey, regular questionnaires were made in order to measure customer satisfaction of customers regarding the Bank's communication channels.

During the year, correspondence related to communicating debt information was carried out over the Collection Management System, which launched in 2017.

The ATM channel was frequently used in product marketing and activation works. Within the scope of channel membership and activation, credit card limit extension efforts, proposals were offered via ATMs instead of direct outbound calls and cost advantage was achieved through only making outbound calls to customers who accepted the proposals. Again, within the scope of proactive works, customers, who do not have accounts linked to a credit card, were offered linking their accounts

Review of operations in 2018

Halkbank continued to focus on Internet Banking and Mobile Banking operations in 2018 and as of year-end, the Bank's active customer base in Digital Banking grew to 2 million.

48

RETAIL BANKING

During the year, Smiling Customer Center received 735 thousand customer problem, complaint and suggestion calls/queries on average and resolved these within 22 hours on average. In 2018, calls/queries were up 15% year-on-year. Some 76% of the calls/queries received were via Dialog, while 13% originated from the branch channel, 8% via Internet, 2% from Headquarters and 1% via postal mail.

with cards through calls for preventing them to face any problems during cash withdrawals at ATMs.

SMS and e-mail channels were widely used for collective campaign announcements. Fraud SMS and e-mail transmissions were carried out especially in 2018. Halkbank undertook intensive book building efforts for product sales via SMS and e-mail channels, thereby slashing telephone call expenses.

Retail Loan Extension over ADC

Halkbank allows customers to quickly apply for the loans they need via SMS, Internet Branch, Mobile Branch, Dialog and the Bank's website; applicants receive the results of their credit assessments rapidly. Customers whose loan applications are approved may obtain their loans outside of the branches through alternative distribution channels. In addition, retail loans applied via the branch and that are automatically approved can now be obtained via the Internet Branch, Mobile Branch and Dialog.

14% Increase in Call Center

Transactions

The number of calls received by Halkbank Call Center increased by 13% and the number of transactions by 14% in 2018 year on year. Using both in-house and external resources, nearly 9,1 million outbound calls were made to inform customers about the Bank's product and service offering; to market and sell products and services; and to collect payments.

In 2018, Halkbank introduced the WebChat service. As part of compliance efforts related to accessibility legislation, the Bank installed an Accessible Communication Line. The special line can be reached via video call phones at Halkbank branches, providing translation services for sign language users. Halkbank also added self-service options to the Branch Voice Response System; as a result, customers calling the branch can perform transactions during the call. Unanswered calls at Bank branch locations are directed to the Call Center where customers can obtain quick and easy service from Dialog.

Award-Winner: Smiling Customer Center

During the year, Smiling Customer Center received 735 thousand customer problem, complaint and suggestion calls/queries on average and resolved these within 22 hours on average. In 2018, calls/queries were up 15% year-on-year. Some 76% of the calls/queries received were via Dialog, while

13% originated from the branch channel, 8% via Internet, 2% from Headquarters and 1% via postal mail. In recognition of its superior performance in managing complaints, Halkbank was presented with the "Diamond Awards" in 2018 from one of the sector's leading complaint management websites.

Number of Digital Banking Customers Climbs to 2 Million

Halkbank continued to focus on Internet Banking and Mobile Banking operations in 2018 and as of year-end, the Bank's active customer base in Digital Banking grew to 2 million.

Innovations continued in Internet Branch, Mobile Branch and SMS Banking in 2018 as well.

Number of ATMs reached 4,023

Extension of the ATM network continued in 2018. The ATM network, with 106 new ATMs established in 2018, reached 4,023, up 2.8% than last year.

In 2018, Halkbank recorded 315 million transactions at its ATMs, up 8% from the previous year. Meanwhile, total annual ATM transaction turnover increased to TRY 101 billion, up 23%. With the newly installed and replaced automated teller machines, the number of Cash-Deposit ATMs rose to 3,206, up 3.7%. Of Halkbank's ATM network, 80% are cash depositing ATMs while 6% are recycle ATMs.



*We are in the “Have a good evening” wishes
amid the pleasing aroma of chestnuts
roasting on your way home at sunset.*

Review of operations in 2018

By updating its internal lending regulations in 2018, Halkbank took a major step forward toward achieving its goals of growth and profitability in line with the Bank's strategies.

50

CREDIT POLICIES, MONITORING AND LEGAL PROCEEDINGS

As of 2018, a smooth transition was made to loan classification structure within the scope of IFRS-9 applications.

In 2018, Halkbank made a number of updates to its lending regulations within its credit policies. These modifications were made in order to comply with legal and regulatory requirements; enhance efficiency in loan risk returns, collateral establishment and legal proceedings; improve time and cost management in lending processes, backed by systematic regulations. With this effort, Halkbank took a major step forward toward achieving its goals of growth and profitability in line with the Bank's targets, strategies and risk appetite, and prevailing market conditions.

Market and Sector Research

During the year, Halkbank closely followed developments in the economy, target sectors and legislation in Turkey and worldwide as they unfolded. This effort aimed to assess the possible effects of such developments on Turkey's economy and key industries. The Bank prepared market and sector research supporting company, credit and project assessment efforts with regards to loan requests. In addition, Halkbank continued to conduct activities to improve the financial literacy of Bank employees.

To carry out calculations regarding the Bank's Capital Adequacy Ratio (CAR) in line with Internal Rating Based (IRB) approaches, Halkbank integrated rating models based on the IFRS-9 process with the Bank's loan assessment modules. The rating notes created by the aforementioned model became the single model for all segments. Efforts to use this model in all stages of lending started during the year.

Halkbank issued Loan Assessment and Project Evaluation reports in order to boost the efficiency of allocating and managing loans in the lending process. Investment loans allocated for financing of construction investments, residential housing-commercial workplace building associations, and build-sell projects above a certain size were provided in tranches. These investment loans were monitored depending on developments in the related investment.

Aiming to preserve Halkbank's asset quality, ensure the repayment of its loans, and uphold loan quality, the IT-based Credit Risk Monitoring System continued to be employed during the year. The system is used to classify loans based on rules identified pursuant to legal regulations; initiate the early warning mechanism according to the risk measurement and perception criteria designated by the Bank; and review and assess the loans on a periodic basis. For this purpose, new organizational structures were established.

As of 2018, a smooth transition was made to loan classification structure within the scope of IFRS-9 applications. In accordance with the provisions of the new Provisioning Regulation, which came into force at the same time, Halkbank carried out processes regarding credit classification and efforts on harmonizing the Bank's practices with the new regulation.

Early Warning Systems

Data sources, systems integrations, and improvements that will lend major support to Early Warning initiatives have been completed to a large extent while efforts were implemented to gain access to sources of information from other organizations and institutions.

Aiming to improve collection from follow-up accounts in 2018, Halkbank adopted a monitoring management approach where file-based solutions are created and debtors are included in the process. As a result, the Bank assessed each file according to its unique conditions and formulated solutions specific to the debtor. With this approach, Halkbank improved the collection figures of monitored accounts.

Halkbank can readily adapt to fast-changing market conditions thanks to its solid capital base and robust financial structure.

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

In 2018, Halkbank continued to offer its customers import and export services on a global scale. The Bank is one of the leading supporters of Turkish exporters with a correspondent network extending to 120 countries.

Halkbank closely monitors the digitalization and transformation taking place in the global banking industry. The Bank is focused on integrating the possibilities that advanced technology offers and rendering work independent of time and space into its business flows. With this perspective, Halkbank implements solutions that enable customers to benefit from the markets 24/7 via mobile applications.

Under its risk/return oriented management approach, Halkbank followed specific management strategies by closely monitoring domestic and international macroeconomic developments, geopolitical and diplomatic events throughout 2018. Capable of adapting itself to the changing market conditions with the support of a strong capital and financial structure, the Bank maintains its profitability and growth momentum as a consequence of the dynamic policies it pursues. At the same time, it improves the resistance of its customers against high fluctuations in the markets.

Having successfully maintained the title "Turkish GDS Market Maker" since 2003, Halkbank remains an active player in primary and secondary capital markets in 2018 as well. The Bank with respect to public finance of the Ministry of Treasury and Finance. With a well-balanced securities portfolio strategy, the Bank

continued to eliminate the impact of market risks on its balance sheet and improved profitability.

Issuance of TRY 11.2 Billion Commercial Papers

Aiming to raise alternative funding and extend the maturity of its outstanding funds, Halkbank continued to issue securities in 2018. Issuance of securities for qualified investors without offering them to the public in Turkey continued. In 2018, Halkbank issued TRY 11.2 billion in commercial papers for qualified investors. The Bank also continued to issue securities eligible for inclusion in the equity base. Subordinated securities of TRY 4.9 billion contributed to the Bank's total equity. With the issuance of TRY 1 billion worth of mortgage backed securities in 2018, certain assets on the Bank's balance sheet became sources of financing for the real economy. Halkbank plays an effective role in improving and deepening of the capital markets with its support for innovative products.

Efficient Liquidity Management

Halkbank performs balance sheet management in light of the Assets & Liabilities Committee's strategy decisions, which take into consideration macroeconomic analyses, stress tests and risk management reports. As a result of these market analyses, the Bank effectively provided short

Security Issuance

Aiming to raise alternative funding and extend the maturity of its outstanding funds, Halkbank continued to issue securities in 2018.

Review of operations in 2018

Halkbank's current overseas organization is comprised of one country directorate and five branches in the Turkish Republic of Northern Cyprus (TRNC); one branch in Bahrain; and liaison offices in London, Singapore and Tehran.

52

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

Halkbank, in line with its target to develop products that make a difference, aims to maintain long-term business partnerships with both new and existing clients.

Large correspondent network

During the year, Halkbank effectively managed its extensive correspondent bank network comprised of some 1,400 banks in 120 countries around the world.

term funding via money market transactions, efficiently utilized funds surpluses, while TRY and FX liquidity management was performed in the most efficient way possible by using various derivatives and other debt instruments.

Increasing Trade Volume and Profitability

In 2018, Halkbank continued to improve its operations in terms of both products and technology in parallel with customer needs. The Bank offers both fixed income and hedging products in the rapidly developing derivatives markets in Turkey. Expanding its offering of products that will meet the needs of import/export companies to protect against FX and interest rate risk in this period, the Bank continued to provide support to clients especially in hedging transactions related to project finance. Halkbank kept pace with digitalizing trends in its global applications and delivered faster access to platforms for customers.

During the year, the Bank increased its transaction volume and profitability especially in the FX and commodity markets by means of a widespread branch network throughout Turkey, an extensive customer portfolio composed primarily of SMEs and a significant corporate client base. With the marketing strategies specially formulated for its customer base, the Bank has bolstered its position

among the most effective players in the foreign currency and commodity markets.

120 Countries, 1,400 Banks

With its vast correspondent bank network, Halkbank provides top-quality and high value added products and services to its clients. In line with evolving customer needs in 2018, the Bank continued to develop new products, innovate its operations, participate in different markets, and to provide financing under the most favorable terms possible. The Bank continued to offer customers import and export services on a global scale, working tirelessly as a major supporter of Turkish exporters in 2018.

During the year, Halkbank effectively managed its extensive correspondent bank network comprised of some 1,400 banks in 120 countries. The Bank also enriched its range of basic foreign trade products with resources, structured financing products and new financing alternatives secured from international debt and capital markets. As a result, Halkbank remained one of Turkey's most important and efficient banks in meeting customers' demand for funding. Factors underlying the Bank's success are customer trust towards Halkbank, its strong relationship management capabilities, extensive know-how, sustainable trade volumes directed to correspondent banks, ever-increasing service quality in overseas operations and customer

satisfaction arising from its diversified product portfolio.

As part of its correspondent bank relations efforts, Halkbank continuously monitors country risks and financial indicators, and performs all trading in meticulous fashion. The Bank reviewed limits on a regular basis and managed correspondent bank risks effectively. The Bank follows the geopolitical developments and global economic conditions closely.

In the coming years, Halkbank plans to deliver the best solutions that meet customer financing needs and expectations. The Bank also aims to establish new, long-term collaborations in order to develop products that make a difference in the market.

By means of bilateral foreign trade financing agreements and insurance and guarantees from Export Credit Agencies, Halkbank offered long- and medium-term funds to its customers, in collaboration with numerous correspondent banks.

In the scope of the agreement with Taiwan Eximbank, the imports from Taiwan were financed.

Halkbank was the sponsor of Bond, Loans and Sukuk Conferences organized in Dubai on April 24-25, 2018, in Bali on October 11, 2018 and in Istanbul on November 6-7, 2018 for bond investors and issuers and promoted its activities and services.

To further expand its correspondent bank network and improve future relations, Halkbank participated in SIBOS held in Sydney, Australia on October 22-25, 2018. In addition, the Bank held meetings with correspondent banks during correspondent bank and investor visits to the Middle East.

Efficient Communication with Stakeholders and Investors

In 2018, Halkbank continued to keep all business partners, existing and potential investors in both equities and fixed income securities informed and up-to-date, in order to increase the Bank's value in the eyes of investors over the long run. The Bank made its disclosures in an efficient, consistent and reliable manner.

Halkbank met with investors, analysts and portfolio managers in individual and group meetings. The Bank also attended a large number of investor conferences and meetings in Turkey as well as overseas, especially in financial centers where international institutional investors are based.

During investor meetings, Halkbank discussed its financial and administrative structure, position within the banking industry and international finance markets, corporate strategies, and expectations for the upcoming period.

Halkbank prepared informative visual quarterly presentations related to its capital structure based on the Bank's financial results disclosed to the public, published these on the corporate website and simultaneously presented them to domestic and overseas investors via teleconferences. The Bank addressed questions related to the financial results in detail as promptly as possible. In addition, Halkbank maintained open communication channels with investors throughout the year; evaluated all questions, comments and requests conveyed to the Bank; and regularly made disclosures regarding material issues and significant developments in areas that could affect investment decisions.

Thanks to strong relationships with the foreign institutional investment community, Halkbank maintained its top position among publicly traded banks in terms of the Bank's share of international institutional investors.

Overseas Organization

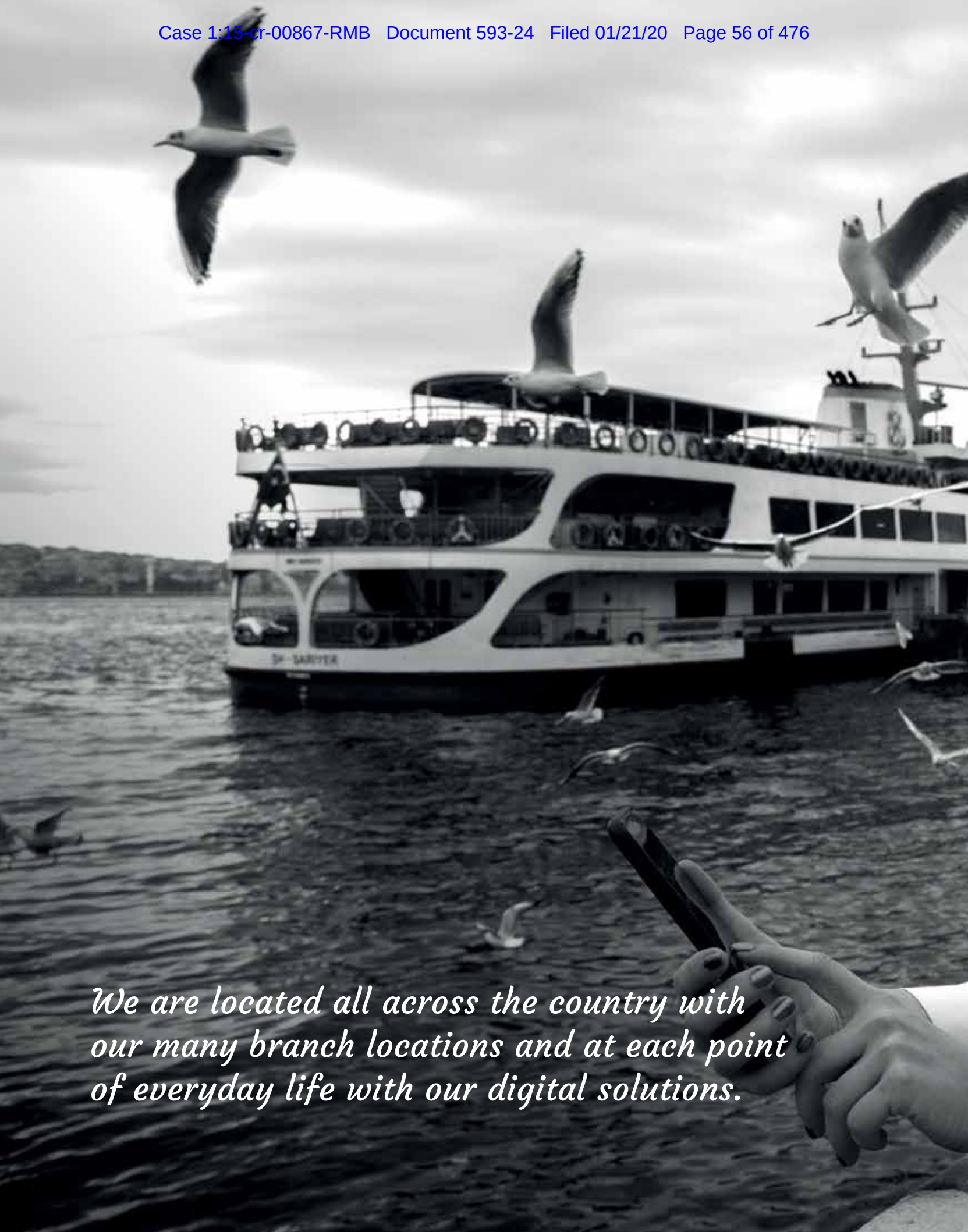
Halkbank's current overseas organization consists of one country directorate and five branches in the Turkish Republic of Northern Cyprus (TRNC), one branch in Bahrain, and liaison offices in London, Singapore and Tehran.

Halkbank conducts operations in TRNC via a country management, four-branch network located in Lefkoşa (Nicosia), Gazimağusa (Famagusta), Girne (Kyrenia) and Gönyeli and a satellite office in Paşaköy (Asia). The Bank's Northern Cyprus branches provide all banking services that are offered at Halkbank branches in Turkey. Halkbank plans to increase its market share in TRNC by expanding the existing branch network and developing a product portfolio suitable for that market.

Halkbank's Bahrain Branch, which commenced operations in 1994, is located in Bahrain, the financial center of the Gulf Region. Through the Bahrain Branch, the Bank aims to make Gulf Region funds available, both to Halkbank clients and to Turkey in general, as financing facilities; enter into strategic partnerships with the major banks in the region; fund foreign trade transactions that take place as a result of the increasing business volume between the Gulf Region and Turkey; and finance the projects planned for the region.

The London Representative Office, founded in 2014, works to establish more effective and sustainable business relations in the global finance markets; boost existing relations with current investors; and support access to business opportunities with new investors.

In order to improve cooperation with both international institutional investors and correspondent banks in the Asia-Pacific Region, in 2016, a Representative Office was inaugurated in Singapore.



*We are located all across the country with
our many branch locations and at each point
of everyday life with our digital solutions.*



Review of operations in 2018

The total deposits of Halkbank at year-end 2018 reached TRY 248.9 billion, up 28.8% from the previous year. The demand deposits rose to TRY 52.5 with an increase of 85.2% and its share in total deposits equaled to 21.1%.

56

DEPOSIT MANAGEMENT

Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions.

Halkbank has adopted a dynamic deposit management strategy based on optimization of cost, market share, liquidity and non-deposit resource facilities. The Bank aims to offer services to the mass market with deposit products developed in line with this strategy.

Halkbank aims to achieve savings deposit growth above the sector average as a strategic priority. During the year, the Bank sustained its robust deposit volume as well as the maturity composition of its deposits while maintaining its broad-based deposit structure.

The Bank's deposit management strategy, which is critically important to maintain Halkbank's solid funding structure, is based on the key principles of cost, market share and liquidity. As the Bank expects deposits to remain a very important source of funding in the upcoming period, Halkbank plans to continue maintaining a customer-oriented, stable, and broad-based deposit structure.

Total Deposits Reach TRY 248.9 Billion

The total deposits of Halkbank at year-end 2018 reached TRY 248.9 billion, up 28.8% from the previous year. The demand deposits rose to TRY 52.5 billion with an increase of 85.2% and its share in total deposits equaled to 21.1%.

Solid Deposit Base

Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions. To this end, the Bank continued its Accumulating Deposit, Fixed-Interest Productive Deposit, Variable-Interest Productive Deposit Account, Flexible Term Deposit, Deposit with Mutual Fund, Convertible Safe Deposit, Convertible Term Deposit, Dowery Account, Home Deposit Account, Demand/Term Gold Deposit Account applications.

Outperforming sector growth

Halkbank aims to achieve savings deposit growth above the sector average as a strategic priority.

In 2018, Halk Academy conducted 3,021 days of in-class training, consisting of 2,230 training sessions for Bank employees. On average, the Bank recorded a participation rate for in-class and on-the-job trainings of 18.6 person/ days of training per employee during the year.

HUMAN RESOURCES AND SUPPORT SERVICES

While focusing on technical banking issues in training activities, the Bank also prioritized personal and professional development trainings.

Halkbank continued to deliver top quality banking services with its headquarters-based departments and an extensive branch network of domestic and overseas branches. The Bank serves customers with a total workforce of 18,781 employees. Halkbank operates 988 branch locations in Turkey (896 regular branches; 7 corporate, 36 commercial, 2 free-zone and 47 satellite branches), 29 regional offices, 1 country management office, 6 overseas branches and 3 overseas representative offices.

1,491 people joined the Halkbank Family while 561 resigned in 2018. The average job tenure of Halkbank employees stood at 10.3 years and the average age of the staff was 34.7 years. 85.6% of the employees are higher education graduates while 14.4% are secondary education graduates.

Halk Academy

Halkbank offers its employees ongoing training, a broad range of career opportunities and a modern work environment.

Halk Academy conducts its operations as the Bank's training brand.

In 2018, Halk Academy conducted 3,021 days of in-class training, consisting of 2,230 training sessions for the Bank's employees. Of these, 50.85% were in-house training while the remaining 49.15% were administered by external training firms/instructors. The pace of core banking training programs was

intense in the first half of the year due to new recruitments and orientation and in line with the Bank's strategies, the training programs focused on technical banking topics while also administering personal and professional development modules. On average, the participation rate was 6,07 people/day of in-class and on the job trainings during the year.

Halk Academy introduced an extensive e-learning catalogue containing various contents under titles such as technical banking, Bank applications, personal and professional development, IT training and trainings and training videos under 316 titles, articles and documents to support in-class trainings in 2018. With the addition of e-learning time equal to 12.5 people/day, a training period of 18.6 people/day per employee was reached in 2018 in total.

Halk Academy manages the website content of Halkbank SME Development, the public platform of the Bank. To this end, 52 videos and 50 articles were generated for this platform in 2018.

Career and Self-Improvement Days

Halkbank continued to engage in active dialog with university students in 2018 with the dual objective of promoting the Bank to potential candidates for recruiting purposes and undertaking corporate social responsibility activities. As part of these efforts, the Bank participated in the Career and Self-Improvement Days held at select universities.

Review of operations in 2018

The number of transactions at the Operations Center, performing transactions in 32 business lines, reached 21.5 million, up 18% in 2018.

58

OPERATIONAL TRANSACTIONS AND INFORMATION TECHNOLOGIES

In line with its digitalization drive, Halkbank gradually enriched the transaction sets in the internet branch and mobile banking channels. The Bank also redesigned the internet branch and mobile banking interfaces to improve the customer experience.

Enriched customer experience

In line with its digitalization drive, Halkbank gradually enriched the transaction sets in the Internet branch and mobile banking channels.

Operational Transactions

Halkbank's operational transactions are conducted with the continuous improvement approach and in line with the principles of operational productivity and quality enhancement. Operations Center was structured to offer high quality, standard, fast service with low operational risk to all branches. The number of transactions at the Operations Center, performing transactions in 32 business lines reached 21.5 million, up 18% in 2018.

In 2018, Halkbank continued to improve, simplify and centralize operations that create workload for the Bank. Data and document flows with institutions and customers, with whom information is exchanged, were transferred onto new generation digital platforms. The Bank reviewed operational risk points in business processes and conducted risk mitigation procedures via systematic checks. As part of efforts to measure the operational quality level of the branches, the Bank revised the measurement model.

Information Technologies

In 2018, Halkbank completed the required software processes for compliance with the IFRS-9 standard.

In line with its digitalization drive, Halkbank gradually enriched the transaction sets in the internet branch and mobile banking channels. The Bank also redesigned the internet

branch and mobile banking interfaces to improve the customer experience. In addition, the Bank renewed the ATM terminal software.

Halkbank improved the event-based action management structure in 2018. The Bank also introduced complex event processing (CEP), triggering actions due to marketing, information and sales opportunity creation in the event the possible scenarios transpire.

To send and receive documents with e-signatures, Halkbank introduced the Electronic Correspondence Platform (ECP) with public institutions as part of e-applications efforts. The Bank also established e-signature based systems integration with various public institutions.

Halkbank initiated a new program to renew its basic banking infrastructure during the reporting year.

In 2018, Halkbank engaged in work to automate corporate resource management processes. This effort aimed to revamp internal bank processes by using state-of-the-art technologies supporting mobile use.

Thanks to work initiated to determine the maturity level of all information technology services at the Bank and to improve such services, Halkbank obtained "ISO 20000 Information Technologies Service Management System" certification.



*Our ATMs are model examples
of state-of-the-art technology,
while we fund the traditional.*

Review of operations in 2018

Halkbank continues to add value to society and life through its social responsibility projects that extend across numerous fields, including education, tourism, arts and environmental protection.

60

CORPORATE COMMUNICATION ACTIVITIES

Halkbank strives to cooperate with civil society organizations and public institutions in organized initiatives and continue to undertake social responsibility projects that reflect the principles and values of the Bank's deep-rooted history.

At Halkbank, every contribution to the economy and society are integral parts of its sustainability approach. Halkbank continues to add value to society and life through its social responsibility projects that extend across numerous fields, including education, tourism, arts and environmental protection.

In the coming period, the Bank aims to further its social responsibility efforts that embody the principles and values of its long-standing history, by working in collaboration with both non-governmental organizations and public institutions.

In 2018, Halkbank's activities in this key area included:

Sector Analysis Meetings

The Bank lent sponsorship support to the meetings organized in cooperation with the R.T. Ministry of Trade that conducted field research and literature review in related industries for tradesmen and artisans.

Productive Turkey Meetings and Tradesmen Restaurant Talks

During the year, Halkbank organized Productive Turkey Meetings, where products and services tailored for tradesmen and SME customers were explained for attendees. Tradesmen Restaurant Talks, where Bank representatives explained relevant product and service offerings, were held with 2 thousand customers in attendance. The talks included the participation of Halkbank General

Manager, Osman Arslan and were organized in Bursa, Samsun and Trabzon.

Bonds, Loans & Sukuk Dubai Conference

The Bank sponsored the only international capital markets congress held by Global Financial Conferences, Bonds, Loans & Sukuk Dubai 2018.

Istanbul Finance Summit

Halkbank was the main sponsor of Istanbul Finance Summit organized for the ninth time this year with "Trade Wars and Financing of Industry" and the main theme.

Energy Efficiency Book for SMEs

With the cooperation of Turkishtime and Energy Efficiency Association, Halkbank sponsored the Energy Efficiency Book for SMEs. This publication was prepared to help small and medium enterprises control energy costs – one of the biggest costs of production in the industrial sector and for SMEs. The book serves as a how-to guide in boosting energy efficiency in industry and production.

Awards Ceremony of Women Empowering Turkey

Halkbank sponsored the awards ceremony organized by the Ministry of Energy and Natural Resources. The awards ceremony aimed to improve women's contribution to the energy and mining sectors; highlight women professionals who are successful in these areas; and create social awareness.



While some things require talent, we believe in the plenitude of the lucky hat and what we “meet by chance.”

Exhibition of “Finance from the Time of the Bankers of Galata until Today”

The Bank sponsored the “Finance from the Time of the Bankers of Galata until Today” exhibition, which opened on May 1, 2018. The exhibit showcased money and securities printed through the years up to today and helped promote the history of finance.

Ahi Week Celebrations

As in previous years, Halkbank sponsored the 31st Ahi Week Celebrations organized by the R.T. General Directorate of Tradesmen and

Artisans of the Ministry of Customs and Trade in Kırşehir, to uphold the “ahi” and “yaran” cultures, which are based on ethics, integrity, fraternity and philanthropy.

Hilye-i Şerif and Prayer Beads Museum

Halkbank sponsored the construction of Hilye-i Şerif and Prayer Beads Museum, located inside Siyavuş Pasha Madrasa in the annex of Süleymaniye Mosque, founded by Istanbul Foundation for Culture and Arts.

“Children Ask, Halkbank Delivers”

Halkbank initiated the “Children Ask, Halkbank Delivers” project to ensure that the wishes of 80 children were met in our 80th year. The children’s wishes were collected on April 23rd National Sovereignty and Children’s Day, by placing “Wish Coin Banks” all across İstanbul. The wishes of 80 children were fulfilled during the year.

Review of operations in 2018

Halkbank strives to cooperate with civil society organizations and public institutions in organized initiatives and continue to undertake social responsibility projects that reflect the principles and values of the Bank's deep-rooted history.

62

CORPORATE COMMUNICATION ACTIVITIES

We collected wishes of children with "Wishing Coin Bank" events organized at various locations of Istanbul for April 23 National Sovereignty and Children's Day and made 80 wishes of children come true.

Culture and arts activities

In 2018, Halkbank organized various events – such as a painting and photography contest, Turkish Folk and Classical Music chorus – as part of its culture and arts activities.

Hundred Essential Readings – Turkish Classics

During the year, Halkbank distributed 1 thousand Turkish Classics and 1 thousand Hundred Essential Readings sets to primary school children to promote Turkish literature, encourage correct use of the Turkish language and foster a new generation of readers.

Istanbul Youth Festival

The Bank sponsored Istanbul Youth Festival held on May 2-6, 2018. The festival brought together popular brands, non-governmental organizations, public institutions, and universities with more than 300 thousand young people. Istanbul Youth Festival included culture and arts activities, workshops, sports events, talks and concerts.

Child Homes

Halkbank provided support to build a video system infrastructure for Child Homes, founded by the Ministry of Family, Labor and Social Services, in order to raise children who are in need of protection, while offering safer and more contemporary living spaces to these youth.

International Clarinet Festival

Held for the seventh time this year on September 8-17, 2018, the International Clarinet Festival welcomed international artists for concerts and outdoor events under the sponsorship of Halkbank.

Painting Contest

A painting contest was held for the children of employees of the Bank and its subsidiaries. Two-day workshop was held at Edirne Deveci Inn for 20 kids who were ranked top and laptops were given as prizes.

Photo Contest

A photo contest was organized in order to motivate employees for culture and arts activities and to support such activities. The ninth edition of the contest was organized in 2018 and 184 employees have garnered awards at the event.

Turkish Folk Music Chorus

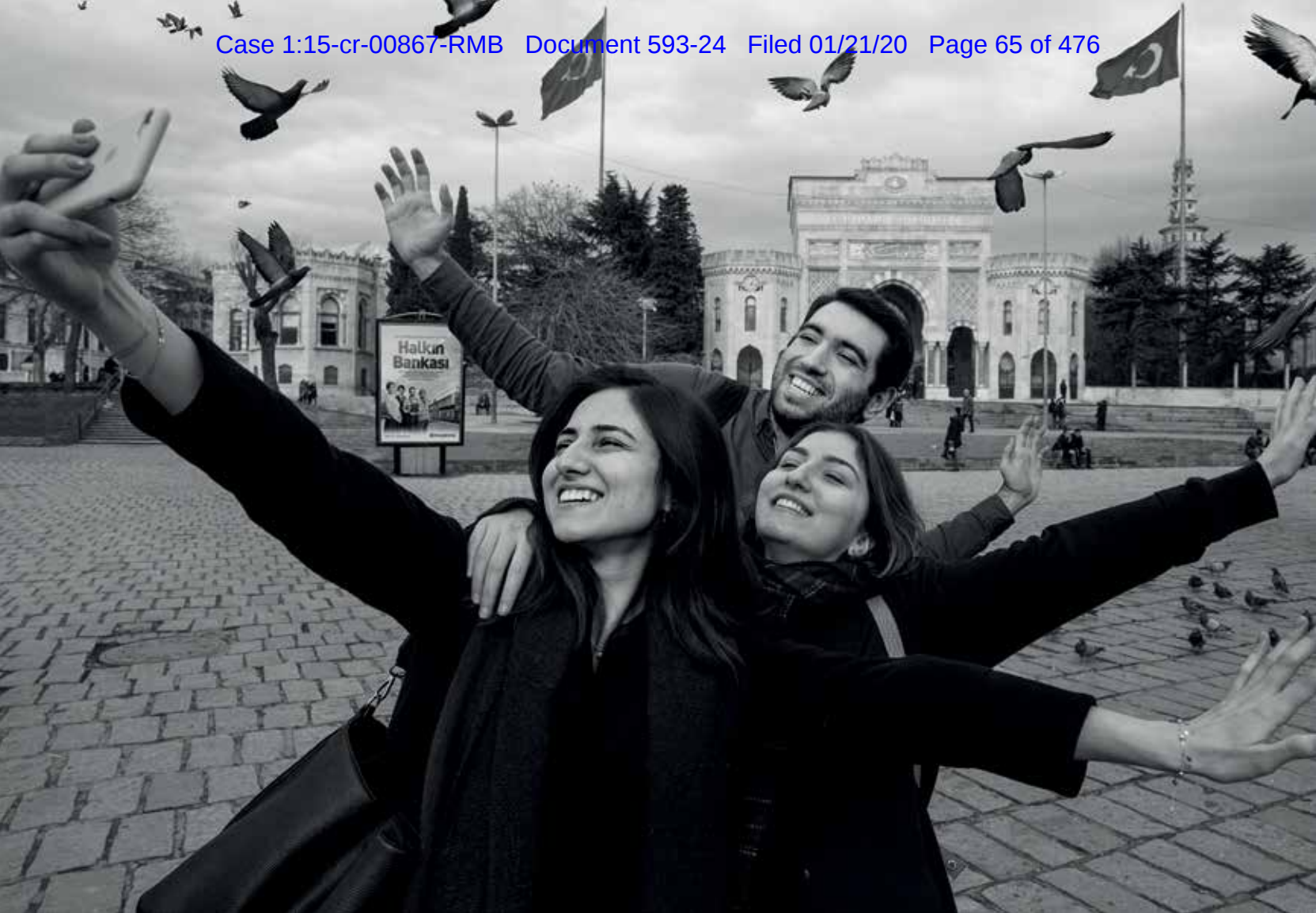
The Turkish Folk Music Chorus, composed of Halkbank employees, gave a concert. Chorus rehearsals continue for future concerts.

Turkish Classical Music Chorus

The Turkish Classical Music Chorus formed of bank employees continued their practices and gave two concerts within the year.

"Together at Halkbank" Magazine

Internal communication magazine, published every two months to instill corporate culture and offer motivation, "Together at Halkbank" meets with its readers.



*We are in the happy moment in the
frame the youth, our future, will
send to our photo contest.*

**OTHER INFORMATION ON
OPERATIONS**

Total charitable contributions and donations made by Halkbank in 2018 amounted to TRY 2.7 million, while charitable contributions and donations including the consolidated subsidiaries amounted to TRY 5.3 million.

There were no major lawsuits filed against Halkbank that can impact the Bank's financial position or operations.

There have not been any administrative or legal sanctions imposed on the members of the Bank's Board of Directors for practices in breach of applicable legal or regulatory provisions.

There have not been any administrative or legal sanctions imposed on the Bank for practices in breach of applicable legal or regulatory provisions.

Total charitable contributions and donations made by Halkbank in 2018 amounted to TRY 2.7 million, while charitable contributions and donations including the consolidated subsidiaries amounted to TRY 5.3 million.



The Halkbank family cultivates and reinforces its close relations with its subsidiaries each day.



Halkbank's subsidiaries and affiliates

Halkbank provides quick and effective services to its customers, with the synergistic cooperation among its subsidiaries and affiliates.

66

Extensive partnership portfolio

Halkbank has an extensive partnership portfolio consisting of 25 companies.

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 25 companies that provide its customers with advanced banking services, as well as products and services in other areas.

In accordance with Halkbank's policy, its subsidiaries and affiliates strive to:

- Create added-value, enrich the product and service portfolio that Halkbank offers to its retail and corporate clients, and create cross-selling and supplementary product marketing and sales opportunities.
- Establish good relations with other enterprises, while expanding and continuing existing relationships.

- Increase operational efficiency and reduce service production costs.
- Ensure the delivery of high-quality services needed by the Bank's clients.

Acting in accordance with this policy, Halkbank provides quick and effective services to its customers, with the synergistic cooperation among its subsidiaries and affiliates.

HALKBANK'S SUBSIDIARIES



Capital

TRY 280,000,000

Halkbank's shareholding

89.18%

Capital

TRY 412,000,000

Halkbank's shareholding

100%

Capital

TRY 104,000,000

Halkbank's shareholding

99.96%

Halk Sigorta A.Ş.

The Company was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. The Company became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

The title of Birlik Sigorta A.Ş. was changed to "Halk Sigorta A.Ş." at the Ordinary General Assembly Meeting on December 27, 2010. With the Resolution passed at the Ordinary General Assembly Meeting on May 2, 2018, the paid-in capital of the Company was raised by TRY 93 million, from TRY 187 million to TRY 280 million, within the registered capital ceiling.

Halk Hayat ve Emeklilik A.Ş.

Birlik Hayat Sigorta A.Ş. was established in 1998 in order to operate in life and personal accident insurance, coinsurance, reinsurance and retrocession businesses for individuals both in Turkey and abroad. With the purchase of the share certificates of Türkiye Halk Bankası Personnel Provident Fund by Halkbank at the beginning of 2006, the Company became a subsidiary.

Making preparations in 2009 to operate in the private pension sector, the Company acquired the operating license from the Undersecretariat of Treasury to operate in the pension branch in January 2012 and launched initiatives in this segment.

At the Company's Ordinary General Assembly Meeting held on July 26, 2017, it was decided to make a TRY 135 million capital increase by bonus issue. The Company's capital was increased from TRY 277 million to TRY 412 million and the Bank's share is 100%.

Halk Yatırım Menkul Değerler A.Ş.

Halk Yatırım Menkul Değerler A.Ş. was established in 1997 in order to engage in capital market operations, sell and purchase capital market instruments and to conduct stock exchange transactions. When Halkbank purchased the share certificates of Türkiye Halk Bankası Personnel Provident Fund in 2006, the Company became a subsidiary.

The share rate of Halkbank rose to 99.96% with the purchase of shares of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. in the capital of the Company in 2014. According to the Ordinary General Assembly Resolution dated April 20, 2018, the Company's paid-in capital increased from TRY 82 million to TRY 104 million.

As a result of the application filed by the Company due to the obligation of renewing investment firm licenses based on the abrogated Capital Markets Law No. 2499 under Capital Markets Law no. 6362, the Company was classified and authorized as "a brokerage firm with broad authority" as per CMB's resolution dated October 15, 2015.

The agency contract between Halk Yatırım Menkul Değerler A.Ş. and Halkbank was cancelled to be replaced with the "Order Transfer Intermediation Contract" signed on November 11, 2015 and approved by CMB.

Halkbank's subsidiaries and affiliates

HALKBANK'S SUBSIDIARIES



Capital
TRY 100,000

Halkbank's shareholding
100%

Capital
TRY 323,000,000

Halkbank's shareholding
99.99%

Capital
TRY 96,000,000

Halkbank's shareholding
97.50%

68

Halk Varlık Kiralama A.Ş.

The Company was established on October 3, 2017 to issue "Lease Certificates" pursuant to the Capital Markets Law No. 6362, the Capital Markets Board's related communiqué, and the Capital Markets Board's related regulations. The Company's capital is TRY 100,000 and Halkbank's shareholding is 100%.

Halk Finansal Kiralama A.Ş.

Commencing operations in 1991, Halk Finansal Kiralama A.Ş. was founded to acquire movable and immovable property, machinery, vehicles and equipment through purchasing, import and other legal means; to use these economic assets in domestic and overseas leasing operations; and to conduct all kinds of leasing transactions. The Company, which was a 47.75%-owned affiliate of Halkbank, became a subsidiary after Halkbank acquired the shares of other shareholders in 2011.

Halkbank raised its stake in the Company to 99.99% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. The Company's capital was raised to TRY 323 million with the resolution passed at the Ordinary General Assembly held on April 20, 2018.

Halk Faktoring A.Ş.

Halk Faktoring A.Ş. was founded on June 6, 2012 as a Halkbank subsidiary in order to provide all financing, guarantee and collection products needed in domestic and international trade transactions with a focus on trade finance and receivables-backed financing to SMEs, companies with major import or export activities, corporations with extensive supplier and dealer networks, as well as all other clients. Pursuant to the operating license granted by the Banking Regulation and Supervision Agency of Turkey, the Company began commenced operations on December 10, 2012.

Halkbank raised its stake in the Company to 97.50% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. The Company's capital was raised to TRY 96 million with the resolution passed at the Ordinary General Assembly held on April 20, 2018.

The Company operates three branches, two in Istanbul and one in Ankara.

**Capital****TRY 858,000,000****Halkbank's shareholding****71.96%****Capital****TRY 26,000,000****Halkbank's shareholding****100%****Capital****MKD 5,181,300,000**

(Macedonian dinars)

Halkbank's shareholding**99.16%****Halk Gayrimenkul Yatırım Ortaklığı A.Ş.**

The Company was established under the leadership of Halkbank in 2010 to do business for the objectives and in the matters stipulated by the regulations of the Capital Markets Board of Turkey regarding the real estate investment trusts and to invest in real estate properties, real estate-backed capital market instruments, real estate projects and real estate-based rights.

Halk Gayrimenkul Yatırım Ortaklığı A.Ş. was offered to public in February 2013, all nominal share certificates equal to TRY 185.5 million offered to public were sold. 28% of the Company's share certificates started being traded at Borsa İstanbul as of February 22, 2013.

Halkbank raised its stake in the Company to 71.96% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

The Company's capital was raised from TRY 820 million to TRY 858 million with the Resolution passed at the Ordinary General Assembly held on April 20, 2018.

Bileşim Alternatif Dağıtım Kanalları A.Ş.

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. commenced operations in 1998 to carry out activities in the areas of alternative distribution channels and payment systems. With the approval of the Competition Authority, 76% shares (with R.T. Ziraat Bankası A.Ş.'s shareholding of 61%, Ziraat Finansal Kiralama A.Ş.'s shareholding of 15) belonging to Ziraat Bank Group in the capital of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. to be purchased, the purchase of share certificates were completed on July 22, 2013 and the Company became a 100% subsidiary of the Bank. With the resolution passed at the Ordinary General Assembly held on April 21, 2016, the Company's title was changed to "Bileşim Alternatif Dağıtım Kanalları A.Ş." The Company's capital was increased from TRY 20 million to TRY 26 million in 2018.

Halk Banka A.D. Skopje

The majority shares of Izvozna I Kreditna Banka A.D. Skopje, established in 1993 to carry out all kinds of banking activities, were purchased from Demir-Halk Bank (Nederland) N.V. in 2011 and the Bank was included in the partnership portfolio as a subsidiary. The name was changed to Halk Banka A.D., Skopje.

The capital of Halk Banka A.D. completely took over Ziraat Banka A.D. Skopje, active in Skopje, Macedonia and with R.T. Ziraat Bankası A.Ş., as the controlling shareholder, with all its assets, liabilities, branches and personnel on October 1, 2012. As a result of this takeover, the Company's capital increased from MKD 1,884,150,000 to MKD 2,893,690,000 while Halkbank's equity stake went up from 98.12% to 98.78%. Halk Banka A.D. Skopje's capital was raised to MKD 5,181,300,000 with the resolution passed at the General Assembly Meeting held on July 2, 2018. The bank's shareholding ratio was 99.16% after the capital increase.

Halk Banka conducts its business operations with a 41-branch network – 19 branches in Skopje and 22 in other cities – and a total workforce of 529 employees.

Halkbank's subsidiaries and affiliates

HALKBANK'S SUBSIDIARIES



Capital
RSD 6,260,280,000
 (Serbian dinars)
Halkbank's shareholding
100%

Capital
TRY 26,000,000
Halkbank's shareholding
74.99%

Halkbank A.D. Beograd

In line with the Bank's policy of increasing its presence in the Balkan region and Middle Europe, Halkbank acquired a 76.76% stake in Cacanska Bank, operating in the Cacak Region of Serbia. The bank included the acquisition target in the subsidiary portfolio as of May 27, 2015. The acquired bank was renamed Halkbank A.D.

The Bank's name was changed to Halkbank A.D. Beograd with the resolution passed at the General Assembly held on October 15, 2015 and the headquarters was moved from the province of Cacak to Belgrade, Serbia. The Bank conducts operations with 37 service points: 24 branches in 21 cities across Serbia, 9 affiliated branches, and 4 foreign exchange offices with a total workforce of 486.

With the purchase of share certificates traded on the stock exchange by Halkbank and the capital increases on February 22, 2018 and August 1, 2018, Halkbank's share ratio among all shares including privileged share certificates, reached 100%.

Halk Portföy Yönetimi A.Ş.

The Company was founded on June 24, 2011 to manage portfolios consisting of capital market instruments through discretionary portfolio management agreements with customers as their authorized agent and to engage in investment advisory and capital market activities pursuant to the provisions of the Capital Market Law and its related regulations.

Halkbank raised its stake in the Company to 74.99% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

In 2018, the paid-in capital of the Company was raised from TRY 18 million to TRY 26 million within the registered capital ceiling of TRY 50 million.

The Company was transferred to Ziraat Portföy Yönetimi A.Ş. on January 2, 2019.

AFFILIATES



Capital

TRY 38,000,000

Halkbank's shareholding

31.47%

Capital

EUR 113,750,000

Halkbank's shareholding

30%

Capital

TRY 30,000,000

Halkbank's shareholding

18.95%

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş.

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş. was established in 1999. The purpose of the Company is to provide support for small and medium-scale enterprises that have high potential for development and are in need of funds. The intention of the Company is to contribute to their development by offering them the capital and strategic support they need to grow.

The Company was expanded to build and manage an angel investor network and to carry out portfolio management activities. Through this network, the Company intends to bring together a group of angel investors and undertake finance matching to meet core and initial capital needs.

Demir-Halk Bank (Nederland) N.V.

Having commenced operations in 1992 and carrying out a full range of banking operations, Demir-Halk Bank (Nederland) N.V. is a company with Turkish capital, operating according to Dutch legislation. The Company was established in Rotterdam, the Netherlands to offer services particularly to Turkish companies and their partners in Western Europe.

Bankalararası Kart Merkezi A.Ş.

The Company was established in 1990 to generate solutions for common issues related to the card payment system and to develop the rules and standards for debit and credit cards in Turkey.

Halkbank's subsidiaries and affiliates

AFFILIATES



Capital
TRY 7,425,000

Halkbank's shareholding
18.18%



Capital
TRY 8,250,000

Halkbank's shareholding
16.67%

72

Kredi Kayıt Bürosu A.Ş.

The Company was founded in 1995 to facilitate information sharing, a prerequisite for monitoring and controlling retail loans, between financial institutions that are engaged primarily in money and capital markets and insurance business lines.

Türk P&I Sigorta A.Ş.

The Company was established on December 31, 2013 in accordance with Insurance Law No. 5684 to operate exclusively in the non-life insurance branch of Water Vessels Liability Insurance, with a capital of TRY 300,000. Pursuant to the Regulation on the Establishment and Operating Principles of Insurance and Reinsurance Companies, the company obtained a license to operate in the field of Water Vessels Liability Insurance on February 18, 2014.

On April 2, 2015, Halkbank acquired a 16.6667% stake in Türk P&I Sigorta A.Ş. previously held by Halk Sigorta A.Ş. As a result, Türk P&I Sigorta was transformed into an affiliate.

OTHER PARTNERSHIPS

Türkiye Ürün İhtisas Borsası A.Ş.

Capital

TRY 100,000,000

Halkbank's shareholding

3%

Kredi Garanti Fonu A.Ş.

Capital

TRY 318,281,750

Halkbank's shareholding

1.54%

Mesbaş Mersin Serbest Bölge
İşleticisi A.Ş.

Capital

TRY 10,804,320

Halkbank's shareholding

1.37%

Türkiye Cumhuriyet Merkez
Bankası

Capital

TRY 25,000

Halkbank's shareholding

1.11%

Sberbank Magyarország Zrt.
(Sberbank Macaristan)

Capital

HUF 3,727,100,000

(Hungarian Forints)

Halkbank's shareholding

1.07%

İstanbul Takas ve Saklama
Bankası A.Ş.

Capital

TRY 600,000,000

Halkbank's shareholding

0.99%

Alidaş Alanya Liman İşletmeleri
Denizcilik Tur. Tic. ve San. A.Ş

Capital

TRY 6,000,000

Halkbank's shareholding

0.50%

Borsa İstanbul A.Ş.

Capital

TRY 423,234,000

Halkbank's shareholding

0.00353%

Visa INC.

Capital

USD 16,900,000,000

Halkbank's shareholding

0.0017614%

Annual report compliance statement

INDEPENDENT AUDITOR'S REPORT REGARDING THE BOARD OF DIRECTOR'S ANNUAL REPORT

To the General Assembly of Türkiye Halk Bankası A.Ş.

1) Opinion

As we have audited the full set of consolidated and unconsolidated financial statements of Türkiye Halk Bankası A.Ş. (the "Bank") and the Bank's companies that are in the scope of consolidation (the "Group") for the accounting period of 01/01/2018–12/31/2018; we have also audited the annual report pertaining to this accounting period.

In our opinion, the consolidated and standalone financial information in the Board of Director's Annual Report, and the assessments made by the Board of Directors on the Bank's and the Group's situation, with all its important aspects, are consistent with the complete set of audited consolidated and standalone financial statements and the findings we have come across during our independent audit, and they reflect the facts.

2) Basis for the Opinion

The independent audit we have conducted was performed in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette numbered 29314 dated April 2, 2015, and the Independent Audit Standards ("BDS") that is a part of the Turkish Audit Standards published by the Public Oversight, Accounting and Audit Standards Authority ("KGK"). Our responsibilities pursuant to these Standards were stipulated in detail in the section titled Independent Auditor's Responsibilities regarding the Independent Audit of the Annual Report. We hereby declare that we are independent from the Bank in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by KGK and with the provisions on ethics stipulated in the independent auditing laws and regulations. We have also fulfilled all other responsibilities stipulated in the Code of Ethics and effective laws and regulations. We believe that the independent audit evidence we obtained during the independent audit form a reasonable and sufficient basis for our opinion.

3) Our Auditor's Opinion on Complete Set of Consolidated and Standalone Financial Statements

Concerning the full set of consolidated and standalone financial statements of the Bank for the accounting period of 01/01/2018–12/31/2018, we delivered a qualified opinion, because of the issues stated in the auditor's report dated 14 February 2019, in the paragraph about the "Grounds for Qualified Opinion." Additionally, our opinion points out the continuing judicial appeal proceedings on a former Halkbank executive currently under way in the United States as a matter of interest.

4) Board of Director's Responsibility Regarding the Annual Report

As per the 514th and 516th Article of the Turkish Commercial Code n.6102, and the "Regulation on the Principles and Procedures Regarding the Preparation of the Annual Report by Banks" ("Regulation") the Bank management is responsible for below mentioned issues regarding the annual report:

- a) Issuing an annual report within three months of the date of the balance sheet and presenting it to the general assembly of shareholders.
- b) Preparing the annual report in a way to reflect the Bank's activities throughout the year and its financial position in all aspects, accurately, completely, straightforwardly, truthfully and honestly. Evaluations in the report about the financial position are based on financial statements. Additionally, the report clearly points out to the Bank's development, and the potential risks that may be faced. Evaluations of the Board of Directors on these issues are included in the report.
- c) The annual report also entails the following elements:
 - Major developments at the Bank that transpired after the end of the reporting year that are of particular significance,
 - The Bank's research and development activities,
 - Financial compensation in the form of salary, bonus or incentives; allowances; travel, accommodation and representation expenses; in-kind and cash facilities; insurances and similar guarantees,

The Board of Directors also complies with the secondary regulations set forth by the Banking Regulation and Supervision Agency, the Ministry of Trade, and the other related authorities when preparing the annual report.

5) Independent Auditor's Responsibility Regarding the Independent Audit of the Annual Report

Pursuant to the provisions of the Turkish Commercial Code and the Regulation, our purpose is to present an opinion on whether the consolidated and standalone financial information in the Board of Director's Annual Report, and the assessments made by the Board of Directors on the Bank's situation are consistent with the audited consolidated and standalone financial statements and the findings we have come across during our independent audit, and whether they reflect the facts; and issue a report conveying this opinion.

The independent audit that we have performed was done within the framework of the 397th Article of the Turkish Commercial Code and the "Regulation on Independent Audit of the Banks" published in the Official Gazette n.29314 dated 2nd April 2015 and in conformity with the Independent Audit Standards ("BDS"). These standards require that we comply with ethical provisions, and plan and conduct the independent audit in a way that provides a reasonable assurance on whether the consolidated and standalone financial information in the Board of Director's Annual Report, and the assessments made by the Board of Directors on the Bank's situation are consistent with the audited consolidated and standalone financial statements and the findings we have come across during our independent audit, and whether they reflect the facts.

Hasan Kılıç is the responsible auditor who conducts and finalizes this independent audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan KILIÇ, SMMM

Partner

Istanbul, March 8, 2019

Board of Directors and the Supervisory Board



Recep Süleyman ÖZDİL
Chairman

Mr. Özdil was born in 1961 in Istanbul and graduated from Ankara University, Faculty of Political Science, Department of Economics. Özdil started his professional career in 1984 at a private company as Inspector. Subsequently, Mr. Özdil went on to work as Specialist, Assistant Manager and Branch Manager at Albaraka Türk Özel Finans Kurumu A.Ş. between 1986 and 1993. From 1993 to 1995, he served as Financial Coordinator at a private company. Later, he worked as Deputy General Manager between 1995 and 2001 at İhlas Finans Kurumu A.Ş. and from 2001 to 2005 at Family Finans Kurumu A.Ş. From 2005 until 2011, Recep Süleyman Özdil was a Board Member and CEO at Birleşik Fon Bankası A.Ş. and Board Member at Security Deposit Insurance Fund (TMSF). Since August 28, 2015, Mr. Özdil has been serving as Chairman at Türkiye Halk Bankası A.Ş. He is also the Chairman of the Board of Directors of Halkbank A.D., Beograd.



Himmet KARADAĞ
Vice Chairman

Himmet Karadağ was born in Denizli in 1974 and graduated from Antalya High School in 1991. He received his undergraduate degree from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Administration in 1995, and his MBA degree from Exeter University in 2010. Mr. Karadağ embarked on his career in 1998 in the Ministry of Finance where he worked as Between 1999 and 2002, he worked as Account Specialist, Chief Account Specialist, Group Vice President, Head of Department, Advisor to the President of the Revenue Administration, and Advisor to the Ministry of Finance from 1999 and 2012. Since 2012, he has been a Board Member on the Capital Markets Board and became the Vice Chairman of the Board on April 1, 2016. He served as Chairman of the Board of Directors and as CEO at Borsa Istanbul and at Central Securities Depository of Turkey, respectively, in 2016 and 2018. He was appointed a Board Member at Turkey Wealth Fund on January 19, 2017 and served as the General Manager and acting Chairman at the same institution between September 7, 2017 and September, 12 2018. Mr. Karadağ has been serving as Vice Chairman of the Board of Directors of Türkiye Halk Bankası A.Ş. since August 12, 2018. He also teaches courses on Development and Investment Banking at Istanbul Commerce University.



Osman ARSLAN
Board Member and General Manager

Osman Arslan was born in Ankara in 1971. He graduated from Middle East Technical University, Faculty of Science and Literature, Department of Statistics. He received an MBA from the same institution's Faculty of Economics and Administrative Sciences, Department of Business Administration. Mr. Arslan joined Ziraat Bank in 1995. He served in managerial positions at various private banks from 1998 to 2004. Between 2004 and 2012, Mr. Arslan served as Division Manager, Head of Department, and Deputy General Manager at Türkiye Halk Bankası A.Ş., and as General Manager of Arap Türk Bankası (now A&T Bank). In March 2012, he began serving as the Deputy General Manager of Financial Affairs at Ziraat Bank. In January 2013, he was appointed Executive Vice President for International Banking and Partnerships and in August 2014, the Executive Vice President for Information Technology Management. He served as Founding General Manager at Ziraat Participation Bank from February 2015 to June 2017. Mr. Arslan has been serving as Chairman of the Board of Directors and General Manager at Halkbank since June 8, 2017. He also serves as the Chairman of the Boards of Directors of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.



Meltem TAYLAN AYDIN

Board Member

Born in Ankara in 1973, Aydın graduated from Istanbul University, Faculty of Political Science, Department of Business Administration. She completed her graduate studies on the macroeconomic performance of emerging economies and behavioral economics. In 2014, she was admitted to Harvard University's Emerging Leaders program. She is currently working toward her MBA degree at Harvard Extension School. Currently serving as an Adviser to the President and a member of the President's Economic Policies Council, Mrs. Aydın has been a Member of the Board of Directors of Halkbank since June 8, 2017.



Mehmet Nihat ÖMEROĞLU

Independent Board Member

Born in Antakya in 1947, Mr. Ömeroğlu graduated from Istanbul University, Faculty of Law and was appointed as a judge in 1975. Following his long tenure as a judge, Mr. Ömeroğlu served as the Director General of Legal Division and as the Director General of Criminal Division at the Ministry of Justice between 2003 and 2005. In 2005, he was appointed a member of the Court of Cassation. He retired in 2012. In November 2012, he was elected as Turkey's first Chief Ombudsman by the Grand National Assembly of Turkey and served in this capacity for four years. Mehmet Nihat Ömeroğlu has been serving as a Member of the Board of Directors of Halkbank since June 8, 2017. He is also an Independent Member of the Board of Directors at Halk Gayrimenkul Yatırım Ortaklığı A.Ş.



Maksut SERİM

Board Member

Born in İzmit in 1955, Serim graduated from Marmara University, Faculty of Theology. He received his master's degree from Atılım University, Department of Public Administration and Political Science. Mr. Serim served as Clerk, Chief, Supervisor, Deputy Manager, and Deputy General Manager at VakıfBank between 1977 and 1998. He later served as Press and Public Relations Adviser and then as Chief Adviser to the Prime Minister between 2003 and 2016. Mr. Serim currently serves as Chief Adviser to the President, and has been a Member of the Board of Directors of Halkbank since June 8, 2017.

Board of Directors and the Supervisory Board



Sadık TILTAĞ

Independent Board Member

He was born in Tokat in 1966. Mr. Tiltak received his Bachelor's degree in Finance from the Ankara University Faculty of Political Science. Mr. Tiltak started his professional career as Assistant Inspector at Garanti Bank in 1988, where he later worked as a Branch Manager and Manager at Head Office Units. Appointed Board Member of Türkiye Vakıflar Bankası T.A.O. on March 30, 2012, Mr. Tiltak previously served as Loan Committee Member, Corporate Governance and Appointment Committee Member, and Audit Committee Member at Türkiye Vakıflar Bankası T.A.O.; Chairman at Vakıf Finans Faktoring Hizmetleri A.Ş.; Vice Chairman at Vakıf Gayrimenkul Değerleme A.Ş., Vakıf Pazarlama ve Ticaret A.Ş., Vakıf Portföy Yönetimi A.Ş. and Board Member at Halk Hayat ve Emeklilik A.Ş. Elected as Member of the Board of Directors of Halkbank on April 1, 2014, Sadık Tiltak also served as Vice Chairman. Currently serving as Independent Board Member, Mr. Tiltak is also Vice Chairman of Halk Sigorta A.Ş.



Sezai UÇARMAK

Board Member

Sezai Uçarmak was born in Ordu in 1964 and graduated from Istanbul University, Faculty of Political Sciences, Department of Public Administration. He started working at the Ministry of Customs as an Assistant Customs Inspector in 1987. He subsequently served as Customs Inspector and Chief Customs Inspector in the same institution. He taught courses on "Customs and Foreign Trade" at Istanbul University, Institute of Social Sciences between 1994 and 1998. He served as Director of Customs from 2003 to 2005. After serving as Chief Customs Inspector between 2005 and 2008, Mr. Uçarmak then served as the Head of the Board of Inspectors until 2011. He was appointed Deputy Undersecretary at the Ministry of Customs and Trade in November 2011. Uçarmak has been serving as Deputy Minister at the Ministry of Trade since January 18, 2019, and as a Board Member at Türkiye Halk Bankası A.Ş. since February 27, 2019.



Dr. Ahmet YARIZ

Independent Board Member

Born in Elazığ in 1966, Ahmet Yarız graduated from Istanbul University, Faculty of Business Administration. He received his master's and PhD degrees from Marmara University, Institute of Banking and Insurance, Department of Banking. Mr. Yarız began his banking career at the Industrial Investment and Credit Bank of Turkey and has worked at various industrial enterprises and financial institutions. He served as the Board Member responsible for Risk Management and Internal Audit at T. Vakıflar Bankası T.A.O and as a Board Member at the Savings Deposit Insurance Fund. Between April 2008 and March 2016, Dr. Ahmet Yarız served as a Board Member at Türkiye Halk Bankası A.Ş. He was reelected to Türkiye Halk Bankası A.Ş. Board of Directors on August 13, 2018 and continues to serve in this capacity. He is also the Chairman of the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.



Prof. Dr. Yılmaz ÇOLAK

Member of the Supervisory Board

Yılmaz Çolak was born in Giresun in 1969. He graduated from the Middle East Technical University, Department of Sociology. He received his master's degree and Ph.D. from Bilkent University, Department of Political Science and Public Relations. Between 1993 and 2010, Mr. Çolak served under the academic titles of Research Assistant, Assistant Professor and Associate Professor at Bilkent University, Kırıkkale University, and Eastern Mediterranean University, respectively. Joining the Police Academy in 2010, he was appointed the President of the Police Academy in 2014 continues to serve in that capacity. Professor Yılmaz Çolak has been serving as a Member of Halkbank's Supervisory Board since June 8, 2017.



Faruk ÖZÇELİK

Member of the Supervisory Board

Faruk Özçelik was born in Konya in 1968. He is a graduate of Ankara University, Faculty of Political Science, Department of Business Administration. He holds a Master's degree in International Relations from Selçuk University, Institute of Social Sciences. He also graduated from Anadolu University, Faculty of Economics, Department of Public Administration and Department of Finance, Banking and Insurance as well as from Faculty of Law. Beginning his career as Assistant Auditor at the Republic of Turkey Prime Ministry, General Directorate of Foundations, Mr. Özçelik subsequently served as Auditor and Chief Auditor in the same institution and at the Ministry of Public Works and Settlements. He served as Deputy General Manager at the Prime Ministry, General Directorate of Personnel and Principles between 2003 and 2009, and then as the General Manager of the same institution from 2009 to 2014. He has also served as a Member of the Board of Directors of the Turkish Natural Catastrophe Insurance Pool, a Member of the Supervisory Board of the Turkish Maritime Organization (TürkiyeDenizcilik İşletmeleri A.Ş.), and a Member of the Board of Directors of the Public Administration Institute for Turkey and the Middle East (TODAIE). Currently employed as Undersecretary of Ministry of Youth and Sports, Mr. Özçelik has been serving as a Member of Halkbank's Supervisory Board since May 24, 2010.

Executive Management



Osman ARSLAN

Board Member and General Manager

Please see page 76 for Mr. Osman ARSLAN's background.



Mehmet Akif AYDEMİR

Deputy General Manager

Loan Allocation and Management

Born in Ankara in 1963, Mehmet Akif Aydemir is a graduate of Ankara University, Faculty of Political Science, Department of Economics. He began his career on October 20, 1986 at Pamukbank as an Assistant Inspector and went on to become an Inspector, Branch Manager and Division Manager at this bank. Mr. Aydemir was the head of the Corporate Loans Department between December 10, 2004 and March 3, 2010 and was the Assistant General Manager in charge of Corporate and Commercial Loans from March 4, 2010 to July 21, 2011. He has since been working as an Deputy General Manager responsible for Loan Allocation and Management at Halkbank, which he began on July 22, 2011.



Mehmet Sebahattin BULUT

Deputy General Manager

Credit Policies, Monitoring and Legal Proceedings

Mehmet Sebahattin Bulut was born in Erzurum in 1965. He graduated from Uludağ University, Faculty of Economics and Administrative Sciences, Department of Econometrics. Mr. Bulut began his professional career as Assistant Financial Analysis Specialist at T. Vakıflar Bankası T.A.O. in 1994 and later worked as Inspector as well as Manager at various levels and as Head of Department at the same bank. He served on the Boards of Directors and Supervisory Boards of various T. Vakıflar Bankası T.A.O. subsidiaries. Joining Halkbank as Deputy General Manager on July 10, 2014, Mr. Bulut has been serving as Deputy General Manager in charge of Credit Policies, Monitoring and Legal Proceedings at Halkbank since July 18, 2017.



Mustafa ÇÖDEK

Deputy General Manager Retail Banking

Mustafa Çödek was born in Alucra, Giresun in 1963. He graduated from Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics in 1986. He began his professional career as an Assistant Specialist at Halkbank in 1987 and spent his entire career at the same institution serving as Assistant Inspector, Inspector, Branch Manager, Department Head, and Regional Coordinator. Mr. Çödek was Halkbank's Deputy General Manager of Consumer Banking between 2017 and 2019. He has been serving as the Deputy General Manager of Retail Banking since January 15, 2019.



Ergin KAYA

Deputy General Manager Banking Operations and Information Technologies

Ergin Kaya was born in Artvin in 1970. He graduated from Ankara University, Faculty of Political Science, Department of Public Administration. He served as Assistant Inspector, Inspector, Division Director, and Department Head at Halkbank. Mr. Kaya has been serving as the Deputy General Manager of Banking Operations and Information Technology since July 18, 2017.



Erkan KİLİMCİ

Deputy General Manager Treasury Management and International Banking

Erkan Kilimci was born in Istanbul in 1976. He graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Political Science and International Relations. He then completed the non-thesis master program in Accounting/Finance at Marmara University, Institute of Social Sciences. Mr. Kilimci began his professional career serving on the Board of Inspectors at Pamukbank. Later, he assumed various positions at banks and capital market institutions. Mr. Kilimci previously served as General Manager at Erste Securities İstanbul Menkul Değerler A.Ş. (2009-2013); General Director of Markets and Executive Board Member, Vice President and Member of the Money Markets Board at the Central Bank of Turkey (2013-2018); and Board Member at Türkiye Kalkınma Bankası A.Ş. (2018-2019). Mr. Kilimci has been serving as Deputy General Director of Treasury Management and International Banking since February 22, 2019.

Executive Management

**Metin KÖSTEK*****Deputy General Manager
Internal Systems***

Metin Köstek was born in Istanbul in 1964. He graduated from Istanbul University, Faculty of Economics, Department of Economics. He served as Assistant Specialist at Ziraat Bankası A.Ş., and as Assistant Inspector, Inspector, and Branch Manager at Türkiye Emlak Bankası A.Ş. After serving as Division Director and Regional Coordinator at Halkbank, Mr. Köstek has been serving as the Deputy General Manager of Internal Systems since July 18, 2017.

**Yusuf Duran OCAK*****Deputy General Manager
Financial Management and Planning***

Yusuf Duran Ocak was born in Kadirli, Osmaniye in 1966. He graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Finance. After serving as Assistant Inspector, Inspector, Deputy Head of the Board of Inspectors, and Department Head at Türkiye Halk Bankası A.Ş. (Halkbank), Mr. Ocak has served as Deputy General Manager of Financial Management and Planning since July 18, 2017.



Selahattin SÜLEYMANOĞLU

Deputy General Manager Human Resources and Support Management

Selahattin Süleymanoğlu was born in Alucra, Giresun in 1962. He graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He holds a Master's degree in International Relations from Selçuk University, Institute of Social Sciences. He began his career as an Assistant Inspector at Adabank A.Ş. and subsequently served as Inspector, Manager and District Manager at T. Emlak Bankası A.Ş. between 1991-2001. He joined Türkiye Halk Bankası A.Ş. in 2001 as a Branch Manager. After serving as Deputy General Manager responsible for Risk Collection and Liquidation, Risk Management and Internal Control, and Banking Operations since 2007, Mr. Süleymanoğlu has been serving as the Deputy General Manager of Human Resources and Support Management since July 18, 2017.



Hasan TUNCAY

Deputy General Manager Corporate and Commercial Marketing

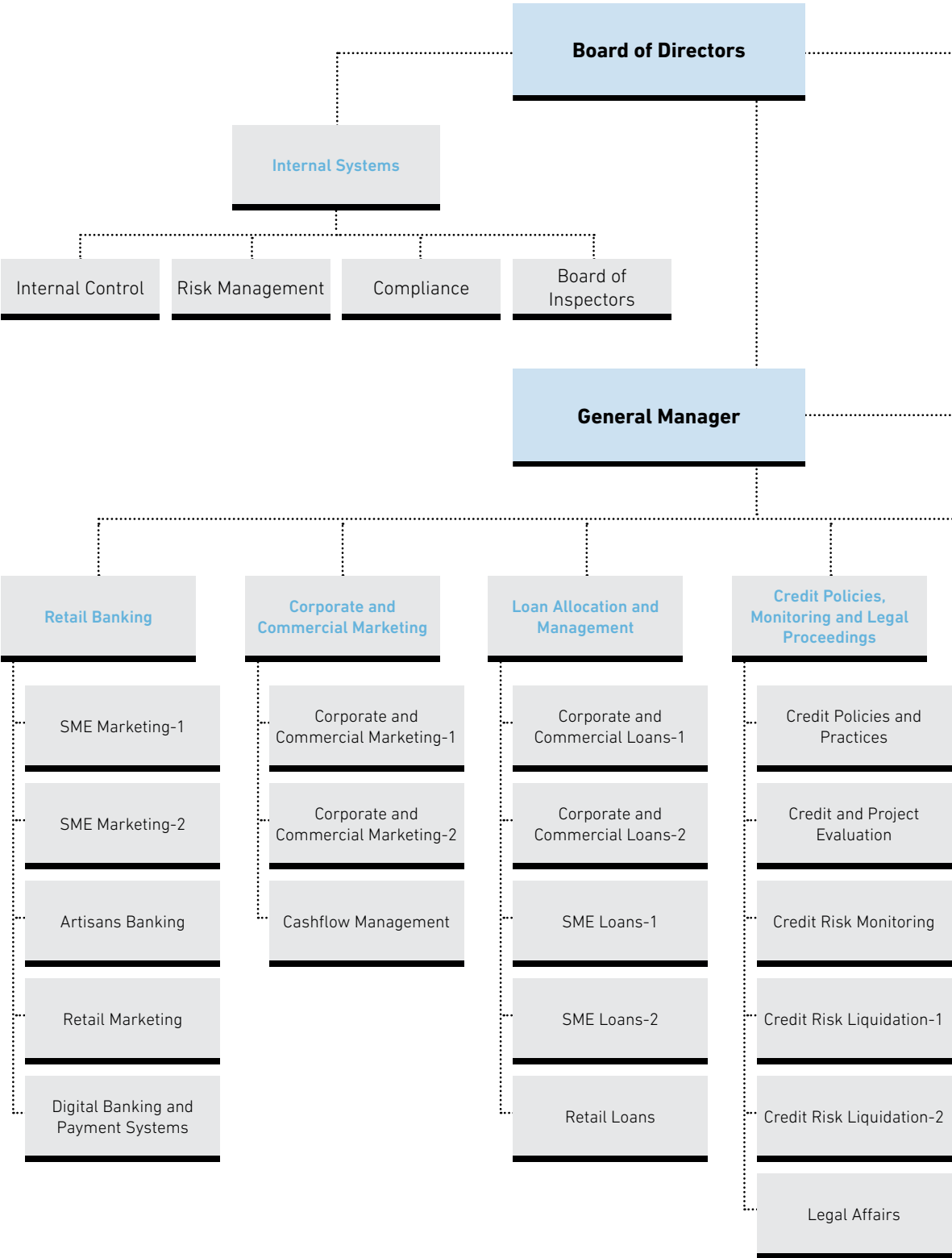
Hasan Tuncay was born in Ankara in 1967. He graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He worked at Pamukbank T.A.Ş. as Inspector and Manager. Beginning from 2004; he served as Branch Manager and Department Head at Halkbank. Mr. Tuncay has been serving as the Deputy General Manager of Corporate and Commercial Marketing since July 18, 2017.

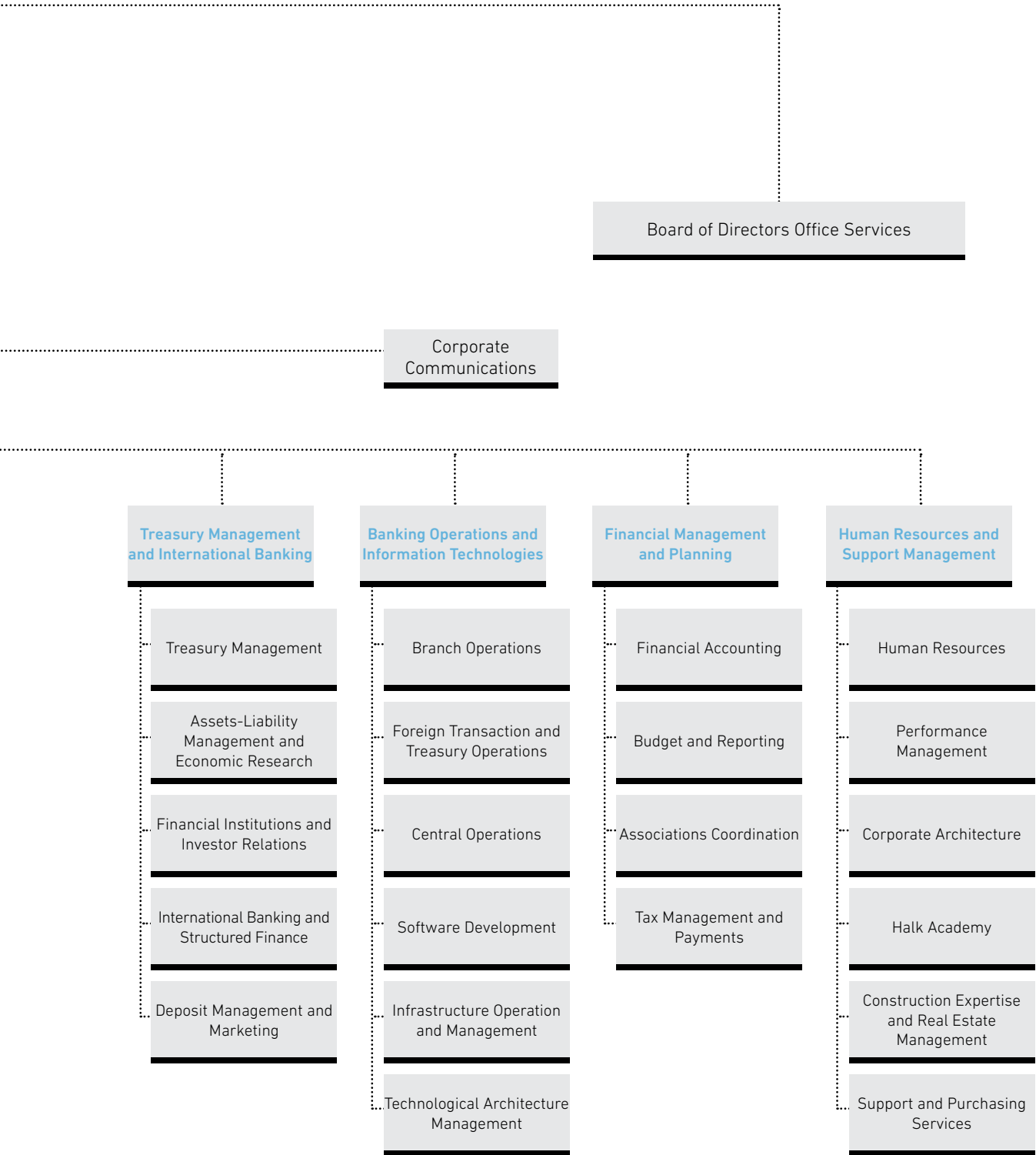




*We are always
behind the artisans
who know and
manage their
business well, and
we are in the fine
details of their
business plans.*

Organizational chart





Committees

88

Audit Committee

Halkbank's Audit Committee was established pursuant to the Board of Directors resolution numbered 34-01 and dated October 31, 2006. Qualifications, duties and responsibilities of the Audit Committee are set forth in the Internal Directive on Governance as amended last pursuant to the Board of Directors resolution numbered 42-45 and dated May 15, 2018 and as per the provisions of the "Regulation On Banks' Internal Systems and Internal Capital Adequacy Assessment Process" published in the Official Gazette n.29057 and dated: July 11, 2014; the Audit Committee is responsible – on behalf of the Board of Directors – for overseeing the efficiency and sufficiency of the internal control, risk management and internal audit systems of the Bank, and the functioning of these systems and the accounting and reporting systems within the framework of the law and relevant regulations, and for overseeing the integrity of the information produced, making preliminary evaluation necessary for the Board of Directors to choose an independent audit firm and also, rating, assessment and support services institutions, regularly monitoring the activities of these institutions chosen by the Board of Directors, making sure that the internal audit functions of the corporations subject to consolidated audit are performed in a consolidated manner in the corporations which are defined as the parent company within the scope of the law. The Audit Committee is in charge of establishing the audit and control process which will provide assurance for the efficiency and accuracy of İSEDES. Within the scope of "Early Detection and Management of Risk" specified in the Turkish Commercial Code, the Audit Committee also carries out the duty of early "diagnosis" of the reasons that endanger the existence, development and continuity of the Bank. It counsels the Board of Directors regarding the issues of risk management and implementation of remedies for the detected risks. Carrying out the necessary tasks by means of the relevant units of the Bank in accordance with its duty, the Committee submits the situation analysis and its suggestions (if any) in a report to the Board of Directors.

Duties of the Audit Committee

- a) On behalf of the Board of Directors, overseeing the effectiveness and adequacy of the internal control, risk management, compliance and internal audit systems of the Bank; ensuring the functioning of these systems and the accounting and reporting systems in accordance with the Law and related regulations as well as the integrity of the information generated by these systems; providing that the internal audit functions of the Bank's consolidated subsidiaries and affiliates are conducted in a consolidated framework and coordinated fashion pursuant to the regulations issued as per the Law,
- b) Establishing the channels of communication through which the employees of the internal systems units can contact the Audit Committee directly,
- c) Overseeing that the internal audit system covers the Bank's existing and planned activities as well as the risks arising from these activities, analyzing internal Bank regulations regarding internal audit that will take effect with the approval of the Board of Directors,
- d) Making recommendations to the Board of Directors regarding the election of the heads of the units covered by the internal systems and reporting directly to the Audit Committee, providing opinion when the Board of Directors considers removing these employees from their related positions,
- e) Soliciting and evaluating senior management's opinions and recommendations regarding internal systems,
- f) Ensuring the establishment of channels of communication through which irregularities and fraud within the Bank can be reported directly to the Audit Committee or to the internal audit unit or to the inspectors,
- g) Overseeing that the inspectors execute their duties independently and impartially,
- h) Analyzing internal audit plans,
- i) Making recommendations to the Board of Directors regarding the desired qualifications of personnel to be employed in the internal systems units,
- j) Supervising the measures taken by the senior management and the units reporting to the senior management in response to the matters identified in internal audit reports,
- k) Assessing the professional education levels and qualification of the managers and personnel, within the internal systems,
- l) Assessing the existence of methods, tools and implementation procedures necessary for identifying, measuring, monitoring and controlling the risks the Bank is exposed to,
- m) Meeting with the inspectors as well as the independent auditors of the independent audit companies which conduct independent audit process of the Bank within the scope of pre-determined programs and agendas at regular intervals not less than four times a year,

- n) Informing the Board of Directors about the opinions and assessments of the senior management, employees performing risk management, internal control and internal audit functions, and the independent audit company regarding the practices required for the proper execution, ensuring efficiency and improvement of the tasks that are part of their duties and responsibilities,
- o) Reviewing the assessments of the independent audit company with regard to the compliance of the Bank's accounting practices with the law and other related regulations, soliciting the statement of the senior management regarding the discrepancies identified,
- p) Evaluating the independent audit results, annual and quarterly financial statements and their related documents, and the independent audit report in conjunction with the senior management and the independent auditors and resolving other issues that the independent auditors have reservations about,
- q) Evaluating independence of the rating agencies, independent audit firms including ones that perform information systems audits, and valuation firms that the bank is contemplating signing contracts with; these companies' chairmen and board of directors members, auditors, executives and employees with respect to their activities with the Bank; and the adequacy of the resources assigned to these activities; presenting its assessments in a report to the Board of Directors; and repeating these procedures regularly during the term of the contract if the Bank resolves to procure service from these companies, not to exceed one year for valuation firms and three months for other firms.
- r) Conducting a risk assessment for the support service the Bank is considering procuring, presenting the assessments to the Board of Directors in the form of a report, repeating these steps at regular intervals not less than one time a year as long as the contract is in effect should the Bank resolve to procure service from them, and supervising the adequacy of the services rendered by the support service provider,
- s) Overseeing that the Bank's financial reports contain only the facts and all the information which need to be revealed and that these reports comply with the law and other related regulations; ensuring that the errors and irregularities identified are corrected,
- t) Consulting with the independent auditors whether the financial reports accurately reflect the Bank's financial position, results of its activities and the Bank's cash flows and whether they are prepared in accordance with the procedures and principles stipulated in the law and other related regulations,
- u) Not exceeding biannual periods, reporting the activities the Audit Committee has performed during the period and the results of such activities to the Board of Directors, including in these reports the Audit Committee's opinions on the measures that need to be taken and practices that need to be initiated within the Bank as well as other matters significant for being able to continue the Bank's operations in a safe manner,
- v) Monitoring whether officers with the authority to extend credit take part in the assessment and decision-making processes for credit transactions with themselves, their spouses, children under their custody, and other real persons and entities that form a risk group with these individuals, and establishing the channels of communication that will enable these matters to be transmitted to the Committee,
- w) Collecting information and documentation from all units of the bank, contracted support service providers, and independent audit firms; procuring consulting services from experts in their respective fields subject to approval by the Board of Directors to be paid for by the Bank,
- x) Within the scope of "Early Detection and Management of Risk" stipulated in the Turkish Commercial Code, carrying out the duty of early "diagnosis" of the factors that may endanger the existence, development and continuity of the Bank; making recommendations to the Board of Directors regarding the issues of implementation of mitigations and remedies for the detected risks and risk management; undertaking the necessary tasks by means of the related units of the Bank in accordance with its duty and submitting the status evaluation and its suggestions, if any, in a report to the Board of Directors.
- y) Establishing the requisite audit and control process that will provide assurance for the adequacy and reliability of the Internal Capital Adequacy Assessment Process (ISEDES),
- z) Ensuring that the Bank's obligations and responsibilities pursuant to Law no. 5549 on Prevention of Laundering of Proceeds of Crime, Regulation related to Law no. 5549, and other related legislation are fulfilled and the entire compliance program is executed adequately and effectively.

Committees

The Audit Committee convened 12 times during 2018; during these meetings, the potential risks of the Bank, stress tests, scenario analyses, and risk management policies and implementation procedures were discussed. The Members of the Committee attended the meetings regularly.

Members of the Audit Committee	Position	Primary Position
Sadık TILTAK	Chairman	Independent Board Member
Dr. Ahmet YARIZ	Member	Independent Board Member

Operational Risk Working Committee

This Committee is formed for the purpose of identifying the Bank's transactions that create operational losses and preventing operational losses. The Operational Risk Working Committee meets once a month on a regular basis.

Duties of the Operational Risk Working Committee

- Establishing the procedures for creating the database required to measure the Bank's operational risks in coordination with the related units,
- Undertaking the technical and administrative efforts required to build and improve a database of the operational losses incurred in the previous periods,
- Performing all functions regarding tracking, monitoring and preventing all operational risks incurred by the Bank,
- Performing all duties that may arise due to developments regarding operational risks in the banking legislation,
- Documenting in writing the resolutions passed in the Operational Risk Working Committee in official meeting minutes and forwarding them to the manager of the related business segment for information purposes and/or to be acted upon.

The Operational Risk Working Committee convened 12 times during 2018. At these meetings, decisions were made regarding the identification of operations that cause operational losses and the prevention of operational losses.

Members of Operational Risk Working Committee	Position	Primary Position
Erdem ÖZDEMİR	Chairman	Head of Risk Management Department
Erol ÇELİK (acting)	Member	Head of Internal Control Department
Süleyman Baran KOYUNCU (acting)	Member	Head of Branch Operations Department
Osman KARAARSLAN (acting)	Member	Head of Foreign Transactions and Treasury Operations Department
İbrahim Okan ÇAĞLAR	Member	Head of Budget and Reporting Department
Ahmet Cemal EREN (acting)	Member	Head of Tax Management and Payments Department
Kamil Enis TUNA	Member	Head of Digital Banking and Payment Systems Department
Olçay ATLIOĞLU	Member	Head of Technological Architecture Management Department
Abdullah GÜRHAN	Member	Deputy Head of the Board of Inspectors
Ethem ARSLANHAN	Member	Department Director of the Head of Human Resources Ethics Applications and Discipline

Credit Committee

Operating within the authority delegated to it by the Board of Directors, the Credit Committee makes decisions related to new loan allocations and on loan restructuring matters such as maturity extension, increase, change in covenant, and lowering the interest rate for loans. The Committee sets the mandatory rules and principles governing the Bank's credit decisions. Established to perform the credit-related duties assigned by the Board of Directors, the Credit Committee consists of the Bank's General Manager and a minimum of two members elected from among the members of the Board of Directors who possess all of the qualifications required of a General Manager except for the tenure requirement. Two associate members, who also possess all of the qualifications required of a General Manager except for the tenure requirement, are elected from among the members of the Board of Directors to replace any members of the Credit Committee who are unable to attend a meeting.

An affirmative vote of at least three-quarters of the members of the Board of Directors is required to elect the members and associate members of the Credit Committee. The General Manager serves as the Chairman of the Credit Committee. In the absence of the General Manager, a permanent member presides over the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the effective and healthy functioning of the Credit Committee's activities.

Duties and Authorities of the Credit Committee

- a) Enforcing the policies approved by the Board of Directors related to the Bank's lending policy, size of its placement portfolio, and its breakdown by sector, region and loan type,
- b) Making recommendations to the Board of Directors to determine the procedures and principles pertaining to the Bank's lending policies and its lending activities on the basis of the portfolio and real/legal persons,
- c) Ensuring that the loan portfolio is managed in accordance with generally accepted credit risk management principles,
- d) Delegating some of its duties and authorities as needed provided that the limit and scope are expressly set out; however, the Committee may not delegate its authority with regard to open credit transactions, except for retail loans, and it shall oversee and supervise the actions of the bodies to which it delegated its authority,
- e) Carrying out the authorities and duties delegated by the Board of Directors.

The Credit Committee convened 49 times and passed 938 decisions in 2018. The members of the Committee attended the meetings regularly.

Members of the Credit Committee	Position	Primary Position
Osman ARSLAN	Chairman	Board Member and General Manager
Sadık TILTAK	Member	Independent Board Member
Dr. Ahmet YARIZ	Member	Independent Board Member

Asset and Liability Committee (ALCO)

The Committee was formed to set the policies regarding the management of the Bank's assets and liabilities and the movement of funds within that scope, and to take and implement the decisions regarding the management of the Bank's balance sheet to be executed by the related units.

Duties of the Asset and Liability Committee is deliberating and evaluating the financial structure, portfolio, budget, loan and deposit interest rates of the Bank; developments in the money and capital markets; and the developments taking place in the Bank itself and in other banks.

ALCO meets regularly once a week, but at minimum once a month, on the date and at the place determined by the Chairman of the Committee. ALCO meetings begin with the discussion of the agenda items put together by the Committee Chairman. Upon invitation by the Committee, Deputy General Managers and other officials may attend these meetings to obtain information and/or offer opinions. The decisions and practices adopted in previous meetings are evaluated at these meetings, after which the decisions to be made and the practices to be adopted are identified. The decisions made and practices to be adopted are submitted to the General Manager for approval to be transmitted to the related Deputy General Manager.

Committees

The Asset and Liability Committee convened 43 times in 2018. The members of the Committee attended the meetings regularly.

Members of Asset and Liability Committee	Position	Primary Position
Osman ARSLAN	Chairman	Board Member and General Manager
Hasan TUNCAY	Member	Deputy General Manager of Corporate and Commercial Marketing
Mehmet Akif AYDEMİR	Member	Deputy General Manager of Loan Allocation and Management
Mustafa ÇÖDEK	Member	Deputy General Manager of Retail Banking
Mehmet Sebahattin BULUT	Member	Deputy General Manager of Credit Policies, Monitoring and Legal Proceedings
Erkan KİLİMCİ	Member	Deputy General Manager of Treasury Management and International Banking
Selahattin SÜLEYMANOĞLU	Member	Deputy General Manager of Human Resources and Support Management
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Ergin KAYA	Member	Deputy General Manager of Banking Operations and Information Technologies
Metin KÖSTEK	Member	Deputy General Manager of Internal Systems

Corporate Governance Committee

The Corporate Governance Committee oversees the Bank's compliance with the Corporate Governance Principles, identifies conflicts of interest that may arise in this matter, and undertakes improvement efforts. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among its independent and non-executive members. The date and location of the Corporate Governance Committee meetings are determined by the Committee Chairman. Upon invitation by the Committee Chairman, other officials may attend these meetings to obtain information and/or offer opinions.

Duties of the Corporate Governance Committee oversees the Bank's compliance with corporate governance principles, carrying out activities to make improvements in this area and presenting opinions to the Board of Directors in accordance with the "Regulation on the Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency and the "Corporate Governance Principles" published by the Capital Markets Board. It also oversees the activities of the Investor Relations Department. The Corporate Governance Committee also fulfills the functions of the Nomination Committee as outlined in the Corporate Governance Communiqué.

The Corporate Governance Committee convened 5 times during 2018.

Members of the Corporate Governance Committee	Position	Primary Position
Mehmet Nihat ÖMEROĞLU	Chairman	Independent Board Member
Sezai UÇARMAK	Member	Board Member
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Erkan KİLİMCİ	Member	Deputy General Manager of Treasury Management and International Banking
Selahattin SÜLEYMANOĞLU	Member	Deputy General Manager of Human Resources and Support Management
Olçay DOĞAN	Member	Head of Human Resources Department
Osman BEKTAŞ	Member	Head of Financial Accounting Department

Compensation Committee

The Compensation Committee was established pursuant to the Board of Directors Resolution No. 41-32 dated December 27, 2011 for the purpose of supervising and overseeing the Bank's compensation policies on behalf of the Board of Directors. The Committee is comprised of at least two non-executive Members of the Board of Directors.

The Compensation Committee convened once during 2018. The Members of the Committee attended the meeting.

Members of the Compensation Committee	Position	Primary Position
Dr. Ahmet YARIZ	Chairman	Independent Board Member
Meltem TAYLAN AYDIN	Member	Board Member

Sustainability Committee

Sustainability Committee was established with the Board of Directors decision dated April 16, 2015, in order to coordinate the sustainability activities of the Bank.

The Committee started its activities, under the Board of Directors, with the aim of increasing the Bank's strength to create long term value, and adapting economic, environmental and social factors together with the Corporate Governance Principles into the activities and decision mechanisms of the Bank.

A deeply rooted player in the Turkish banking industry, Halkbank is a corporation that translates its sustainability approach into its business processes. Considering the fate of future generations and contributing to sustainable development are integral parts of the Bank's policies.

After issuing its Sustainability Report for 2017, the Bank also participated in the Carbon Disclosure Project (CDP) – Climate Change and Water Program in 2018. The aim was to combat climate change-related problems and the depletion of water resources to contribute to the creation of a habitable world.

Halkbank contributed to the Sustainability in Banking Sector questionnaire administered by BRSA in 2018.

Having adapted the Corporate Governance Principles to all its activities and decision-making mechanisms, the Bank figured among those major corporations, which, in the November 2018 – October 2019 period, were included in the BIST Sustainability Index. The index features companies that demonstrate a superior corporate sustainability performance.

In 2018, Halkbank was among the companies included in the "FTSE4Good Emerging Markets Index" created by FTSE, an independent organization owned jointly by the London Stock Exchange and Financial Times.

Halkbank has been calculating its carbon footprint since 2013 and devising mitigation strategies. Aiming to minimize the environmental impact of its operations and with a view toward reducing its energy consumption by using efficiently and establishing a standard structure, the Bank integrated the ISO 14001:2015 Environment Management System and ISO 50001:2011 Energy Management System into its structure and working processes and established "Integrated Management System" in 2016. It established environment and energy procedures for internal control, targets and applications; completed the audit process and was certified. Within 2017, it expanded the scope of Integrated Management System to 130 branches and certified these. It added 563 service buildings in 2018, expanding the scope of the application.

Halkbank became the first ISO 50001-certified Turkish bank.

Supporting its financial operations with environmental and social projects, Halkbank conducts its business activities within the scope of sustainability, environment and energy policies.

Committees

The duties and authorities of the Sustainability Committee are as follows:

The Committee pursues the "Sustainability Policy" determined by the Board of Directors and ensures that the Policy is implemented. The Committee coordinates the Bank's sustainability activities and evaluates the economic, environmental and social impacts of its activities. Study groups are established in relevant units for sustainability, and if necessary, technical assistance is received from outside the Bank. Within the scope of sustainability, the Committee makes necessary recommendations in order to decrease the potential negative impacts of the Bank's activities, and determines the procedures and principles regarding the energy management of the Bank. The Committee analyzes the results of the emission calculation based on the Bank's energy and water consumption figures and waste data, and shares the results with and makes recommendations to the related units within the Bank, and if necessary, reports to the public disclosure platforms like CDP (Carbon Disclosure Project). In situations regarding sustainability, whether legally required or not, the Committee prepares the appropriate infrastructure for the Bank, and takes necessary action in order to ensure that the Bank, as a publicly traded bank on Borsa İstanbul, is continuously listed in the BIST Sustainability Index, and coordinates the internal regulations of the Bank for this purpose. Committee advises the Board of Directors regarding the activities and deficiencies within the Bank in the field of sustainability.

The Committee convened 5 times in 2018.

Members of Sustainability Committee	Position	Primary Position
Sadık TILTAK	Chairman	Independent Board Member
Mehmet Nihat ÖMEROĞLU	Vice Chairman	Independent Board Member
Mehmet Sebahattin BULUT	Member	Deputy General Manager of Credit Policies, Monitoring and Legal Proceedings
Selahattin SÜLEYMANOĞLU	Member	Deputy General Manager of Human Resources and Support Management
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Ergin KAYA	Member	Deputy General Manager of Banking Operations and Information Technologies
Metin KÖSTEK	Member	Deputy General Manager of Internal Systems
Özgür BOZKURT	Member	Head of Credit Policies and Practices Department
Onur BİLGİN	Member	Head of International Banking and Structured Finance Department
Burak MÜEZZİNOĞLU	Member	Head of Financial Institutions and Investor Relations Department
Süleyman Baran KOYUNCU (acting)	Member	Head of Branch Operations Department
Yalçın KAYA	Member	Head of Corporate Communications Department
Yavuz Selim GÖMLEKSİZ	Member	Head of Infrastructure Operation and Management Department
Olca DOĞAN	Member	Head of Human Resources Department
İbrahim Okan ÇAĞLAR	Member	Head of Budget and Reporting Department
Erdem ÖZDEMİR	Member	Head of Risk Management Department
Mehmet TANRIVERDİ (acting)	Member	Head of Support and Purchasing Services Department

Board of Directors

The Bank is governed and represented by the Board of Directors in accordance with the Turkish Commercial Code, Banking Legislation, Capital Market Law, other related laws and regulations, and the Bank's Articles of Association.

The Board of Directors has the ultimate oversight authority over whether individuals with managerial duties comply with the laws, the Bank's Articles of Association, internal by laws, and the written instructions of the Board of Directors.

The Board of Directors is comprised of nine (9) members. The members of the Board of Directors are elected by the General Assembly of Shareholders.

At its first meeting following the swearing-in ceremony, the Board of Directors appoints one of its members as the Chairman of the Board of Directors and one as the Vice Chairman. The Chairman presides over the Board of Directors. When the Chairman is not present, the Vice Chairman presides over the Board of Directors.

The Independent Members who will serve on the Board of Directors are determined in accordance with the provisions of the Capital Market Law and Banking Legislation.

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board Member. The Board is obligated to convene at least once a month.

As a rule, the Board of Directors meetings are held in the province where the Head Office of the Bank is located. However, it is possible to have the meetings elsewhere if a simple majority of all members agree to do so.

Board of Directors meetings can be conducted in a physical and/or an electronic environment. As per Article numbered 1,527 of the Turkish Commercial Code, those who have the right to attend the Bank's Board of Directors meetings may choose to do so electronically. Pursuant to the provisions of the "Communiqué on Board Meetings at Corporations Other Than Joint Stock Company General Assembly Meetings to be Held in an Electronic Environment," the Bank may establish an electronic meeting system that permits the right holders to attend these meetings and to vote in an electronic environment or it may opt to procure the service from systems that are created for this function. The Bank shall ensure that stakeholders will be able to exercise their rights as stipulated in the relevant laws, rules and regulations under the provisions of the Communiqué at the meetings either through the system established in accordance with the relevant provision of the Articles of Association or through an externally procured system.

The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting at least 24 hours prior to the meeting and it is delivered to the members along with the meeting invitation by the Board of Directors Secretariat Services Department. In the event of an emergency, items may be added to the agenda upon the request of the Chairman of the Board of Directors; Members of the Board of Directors may also make a motion on the issues that require a Board resolution to be passed.

The motions that are part of the Board of Directors meeting agenda, as well as all related attachments, shall be transmitted to the Board of Directors Secretariat Services Department by the member making the motion up to the time when the agenda is finalized. The motions that will be taken up as part of the Board of Directors agenda are presented to the Chairman, Vice Chairman and members of the Board of Directors as well as to the General Manager by the Board of Directors Secretariat Services Department.

If the subject of an agenda item is proposed by the Chairman, Vice Chairman and/or a Member of the Board of Directors, the subject is converted into a motion by the Board of Directors Secretariat Services Department, signed by the member(s) of the Board of Directors making the motion and presented to the Board of Directors.

A motion that falls within the authority of the Credit Committee but cannot be resolved by the Committee with an unanimous vote is presented to the Board of Directors with all related attachments via the Board of Directors Secretariat Services Department.

Unless a member requests a deliberation, Board of Directors resolutions can also be passed by obtaining the written approval of a simple majority of the full membership of the Board of Directors for a motion made by a member, provided that all members of the Board of Directors were notified of the motion.

The Board of Directors convened 50 times and passed 977 resolutions in 2018.

Executives of the internal systems units

Chairman of Board of Inspectors Department: Ali CEBECİ

Tenure in Current Position	1 month
Professional Experience and Position	22 years 10 months/T. Halk Bankası A.Ş. Head of Department
Education	Local Bachelor's Degree

Head of Internal Control Department: Erol ÇELİK (acting)

Tenure in Current Position	1 month
Professional Experience and Position	21 years 7 months/T. Halk Bankası A.Ş. Director
Education	Local Bachelor's Degree

Head of Risk Management Department: Erdem ÖZDEMİR

Tenure in Current Position	4 years 4 months
Professional Experience and Position	18 years 10 months/T. Halk Bankası A.Ş. Head of Department
Education	Local Bachelor's Degree

Head of Compliance Department: Elvan ÖZTABAK

Tenure in Current Position	1 years
Professional Experience and Position	25 years 5 months/T. Halk Bankası A.Ş. Head of Department
Education	Local Bachelor's Degree

Türkiye Halk Bankası A.Ş.

Report of the Board of Directors

As a long-established bank in the sector, Halkbank has provided full support to the real economy and, in 2018, continued to offer high-quality products and services to the customers by drawing upon its 80 years of experience, risk management activities and quick response to market conditions. In this context, the Bank not only increased its service diversity in retail banking through its credit card brand Paraf, but also contributed to the national economy by actively supporting SMEs and tradespeople, in particular, with funds obtained from the capital market instruments it has issued and its widespread deposit base.

In 2018, Halkbank increased its assets to TRY 378.4 billion from TRY 305.4 billion with a 23.9% year-on-year increase. The Bank also ranked third in the sector.

By the end of 2018, the Bank directed a large part of its funding resources to loans, with loans comprising a 66.2% share on its balance sheet. Its commercial loans, including the SME loans, rose to TRY 205.8 billion and its retail loans to TRY 44.7 billion. The Bank ranked third in cash loans within the sector. In 2018, cash and non-cash loan volumes increased to TRY 333.6 billion from TRY 260.7 billion, up 28% year-on-year.

In 2018, the size of its securities portfolio also rose by 52.5% year-on-year to TRY 74.6 billion. The portfolio's share in the balance sheet amounted to 19.7%.

In 2018, the Bank issued subordinated bonds of TRY 4.9 billion, and mortgage-backed securities of TRY 1 billion. Furthermore, Halkbank issued bonds with a par value of TRY 11.2 billion to qualified investors without making any public offering.

Halkbank's total deposit base grew by 28.8% year-on-year to TRY 248.9 billion from TRY 193.2 billion. In addition, demand deposit volume rose by 85.2% year-on-year to TRY 52.5 billion.

In 2018, the Bank's capital adequacy ratio, average return on equity, and average return on assets were 13.8%, 9.3%, and 0.7%, respectively.

Halkbank posted a TRY 2.5 billion year-end profit and maintained its sustainable profitability in 2018.

With 28 new branches opening in 2018, Halkbank expanded its branch network to 988 domestic branches and ended the year with 18,781 employees.

We would like to thank our employees. Their efforts and contributions have enabled Halkbank to maintain its sustained growth in 2018 and contributed to our profitable and productive year. We hereby submit the Reports of the Board of Directors' and Auditors', as well as financial statements for the year 2018, to our esteemed shareholders and their representatives for their consideration.

Yours faithfully,

Osman ARSLAN
Board Member
General Manager

R.Süleyman ÖZDİL
Chairman

Human resources practices

The performance management system that is used actively at the Bank allows Halkbank to link corporate performance to individual performance and to measure it at the individual level.

98

Recruitment

Taking into account the developments in the sector, developments that affect recruitment, qualitative changes in human resources, and budget opportunities, the Human Resources Department is responsible for planning how and from which resources, internal or external, the Bank's workforce needs will be procured for the coming year. Candidates to be hired are expected to possess the following general qualifications, although special qualifications may be sought depending on the position for which a candidate applies.

- Being a Turkish citizen or possessing a work permit obtained from the official bodies in accordance with Law No. 4817 on Work Permits for Foreign Nationals,
- Not being devoid of public rights,
- Not having any compulsory service obligation to any company or organization,
- Being at least 18 years of age as of the date of the examination,
- Being no more than 30 years of age at the time of the commencement of employment for the positions of Assistant Inspector, Assistant Specialist, Service Officer and subordinate titles (this age limit may be changed upon approval of the Board of Directors for special positions),
- Excluding negligent offenses and suspended convictions apart from the offenses listed below, not having been sentenced with heavy imprisonment or imprisonment for more than six months or even if they have been pardoned, in relation to the following offenses: crimes against the state, infamous or disgraceful offenses such as embezzlement, peculation, extortion, bribery, theft, fraud, forgery, abuse of faith, fraudulent bankruptcy or smuggling except for employment or consumption smuggling, rigging of official tenders or auctions, money laundering or disclosing state secrets,
- Not having been banned from working at banks in accordance with the Banking Law,
- Having completed or deferred military service as of the date of the examination or to be exempt from such military service obligation,
- Except for those who will be employed within the scope of the requirement set out by the Labor Law on the mandatory employment of disabled persons, being in good health as required by the position of employment and not having any mental or physical disabilities that may prevent the individual from doing permanent work in any part of Turkey,
- For Assistant Specialist and Service Officer positions, having graduated from a four-year undergraduate program offered by a university or academy or being a graduate of an equivalent accredited school overseas; for lower-rank positions, being a high school graduate or a graduate of a high-school equivalent institution,
- Possessing the basic qualifications stipulated in the related article of the Banking Law.

Job Applications

Vacant positions at the Bank are announced via press and social media channels as well as on Halkbank's website. These announcements clearly state the relevant information about the examinations and those who pass the examination are interviewed and/or subjected to assessment center practices in order to determine whether they possess the knowledge and experience required by the position.

Promotion

There are two types of promotion at Halkbank: promotion in title and/or promotion in position. The minimum requirements to be met by the employees to be promoted to a higher title and/or position from their current title and/or position are as follows: The availability of a vacant title and/or position to which the employee will be promoted, to have completed the minimum term of office in the current title and/or position, if applicable, to have achieved the necessary level of success at the end of the performance review, to hold the minimum education level and competencies required by the position and/or title to which the employee will be promoted, to have successfully completed the courses and/or seminars to which the employee will attend/attended in relation to the title and/or position to which the employee will be promoted, not to have received a title/position demotion in accordance with a Disciplinary Board decision within the two years prior to the promotion exam/promotion evaluation.

Performance Management

The performance management system that is used actively at the Bank allows Halkbank to link corporate performance to individual performance and to measure it at the individual level. Performance management is administered concurrently in two main avenues: numerical rating and competency evaluation. The performance evaluation results are used actively in the bonus system, career and training planning.

Transactions with the risk group

The details and related notes of the transactions the Bank carried out with its risk group in 2018 are provided in Footnote VII of Section Five of the Non-Consolidated Independent Auditor's Report.

100

Information on support services providers

Under the "Regulation on Banks' Procurement of Support Services," Halkbank procured the following support services provided by the companies listed below:

- IBM Global Services İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.: Business continuity and emergency services,
- Veripark Yazılım A.Ş.: Software development and maintenance services for internet and telephone banking activities,
- Asseco SEE Teknoloji A.Ş.: Call Center project software development and maintenance services,
- GMG Bilgi Teknolojileri Ltd. Şti.: Legal monitoring system software development and maintenance services,
- Bilgi Birikim Sistemleri Elektronik ve Bilgisayar Endüstrisi Müh. Hiz. San. Tic. Ltd. Şti.: License purchase, maintenance and support services for the Identity Management System Product,
- Signum Teknoloji Tanıtım ve Eğitim Ltd. Şti.: Request and SLA management services,
- Yavuz Koruma ve Özel Güvenlik Hizmetleri Tic. Ltd. Şti.: Outsourcing security staff required in the Bank's various units,
- Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.: Credit card, debit card and member business information systems software service,
- Bileşim Alternatif Dağıtım Kanalları A.Ş.: Payment card systems and Alternative Distribution Channels operations service,
- KRM Yönetim Danışmanlık A.Ş.: Call Center and Operations Center staffing service,
- Global Bilgi Pazarlama Danışmanlık ve Çağrı Servis Hizmetleri A.Ş.: Call Center and marketing operations-related outbound calling service,
- TMOB Bilişim Yazılım Teknoloji Sistemleri A.Ş.: Software development and maintenance services within the scope of the Mobile Banking Project,
- Intellect Design Arena Fz Llc.: Software development and maintenance services for the Collection Management System,
- Hobim Digital Elektronik Hizmetleri A.Ş.: The service received for protecting, storing and destroying the Bank's physical archive
- İstanbul Altın Rafinerisi A.Ş. (İstanbul Gold Refinery): Physical gold appraisal service,
- ISIS E Dönüşüm Teknolojileri San. Tic. Ltd. Şti.: Software development and maintenance services for e-invoice special integration function,
- FU Gayrimenkul Yatırım Danışmanlık A.Ş., Pusula Girişim Gayrimenkul Yatırım ve Danışmanlık Hizmetleri A.Ş., İpoteka Gayrimenkul Yatırım Danışmanlık A.Ş., Tagar Tapu Garanti Hizmetleri A.Ş., Avi Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş. and BBS Danışmanlık Gayrimenkul ve Eğitim A.Ş.: Mortgage establishment services,
- Etisan Proje Bilgi ve Yazılım Teknolojileri San. Tic. A.Ş.: Prepaid card/access card services at universities, governmental/private entities and institutions,
- Güzel Sanatlar Çek Basım Ltd. Şti.: Check printing services.

Profit distribution policy

During its dividend distribution processes, the Bank complies with the Turkish Commercial Code, Banking Law, Capital Market Law, other applicable legislation and its Articles of Association.

The profit distribution policy is laid out by the Board of Directors and later submitted for approval to the General Assembly, before being disclosed to the public and issued on the corporate website.

The Bank shall distribute at least 5% of its distributable net profit for the period to shareholders in the form of cash and/or bonus shares. The profit share to be given to those individuals other than the shareholders is disclosed in the Board of Directors' profit distribution proposal.

The Board of Directors determines the most appropriate profit distribution policy by taking into consideration its capital adequacy ratio, equity capital, lending plans, market developments, and investor requests. The Bank drafts its profit distribution proposal in accordance with the profit distribution policy and in line with the provisions of the Articles of Association and subsequently presents this proposal to the General Assembly for approval.

The profit distribution date is set by the General Assembly upon the recommendation of the Board of Directors. The General Assembly may accept the date recommended by the Board of Directors or set another date within the legal deadline.

The Bank does not pay any dividend advance.

Türkiye Halk Bankası A.Ş.

Report of the Supervisory Board

The Board of Auditors has determined the following points upon review of the activities of the Bank for 2018.

- As of the end of 2018, total assets of the banking sector increased by 18.7% year-on-year to TRY 3.867.135 million from TRY 3.257.842 million. Total portfolio of securities rose by 19% to TRY 477.873 million, while total deposits grew by 19.6% year-on-year to TRY 2.148.410 million from TRY 1.796.536 million. Cash loans rose to TRY 2.394.740 million from TRY 2.098.246 million, up 14.1% year-on-year. The non-performing loans/total cash loans ratio amounted to 3.88%.
- With such sector developments in the backdrop, by the end of 2018, the Bank's total assets soared to TRY 378.422 million by increasing 23.9% year-on-year. Cash loans went up by 23.7%, reaching TRY 246.447 million. The Bank's SME loans, aimed at financing the driving force behind our country's growth, rose to TRY 97.153 million from TRY 75.913 million, up 28% year-on-year. The Bank also sustained the lead in the sector with 15.9% market share in the SME loans in 2018. Artisan loans rose by 31.1% year-on-year to TRY 31.124 million, while total portfolio of securities grew by 47.7% to TRY 66.687 million. Additionally, total deposits increased by 28.5% to TRY 246.893 million. The Bank's ratio of non-performing loans/total cash loans amounted to 3.20%.
- In 2018, the Bank issued bonds with a total nominal value of TRY 11.2 billion, and subordinated bonds of TRY 4.9 billion, and mortgage-backed securities of TRY 1 billion.
- As a historical mission, the Bank grants loans to small- and medium-sized enterprises, artisans and tradespeople, as well as corporate, commercial and retail customers. Accordingly, as of year-end 2018, the ratio of cash loans/total assets, an indicator of asset quality, amounted to 65.1% (sector average: 61.9%), while the ratio of loans/deposits reached 99.8% (sector average: 111.5%).
- The Bank's authorized capital is TRY 7,500 million while its paid-in capital is TRY 1,250 million. Furthermore, the Bank's shareholder's equity rose by 14.4% year-on-year to TRY 29,021 million from TRY 25,377 million.
- The Bank's net profit for the period amounted to TRY 2,522 million at the end of 2018.
- Total number of credit cards issued increased to 4.3 million, total number of POS devices installed to 315 thousand, and the number of member merchants who signed on to 242 thousand.
- All the books and records that the Bank is required to keep as per applicable regulations are kept in conformity with the legal requirements. All records and certifying documents are duly maintained and the accounting and reporting systems are managed duly and efficiently.
- The Board of Directors' resolutions with respect to the management of the Bank are duly recorded the board of directors' minute book and are duly maintained.
- The Bank's internal control, risk management, and internal auditing systems are managed duly and effectively based on the findings of audits performed both at the head office and on site.

- The Bank's growth continued thanks to the opening of 28 new branches in 2018, increasing the total number of branches to 994. It currently operates with 988 domestic branches and 6 foreign branches: 5 in the Turkish Republic of Northern Cyprus and 1 in Bahrain. Furthermore, the Bank has representative offices in Tehran, London and Singapore, one for each country.
- In 2018, 561 employees left the Bank due to retirement or for other reasons. The Bank hired 1,491 new employees to meet its personnel needs, increasing the total number of employees to 18,781. The share of personnel expenses in total revenues increased to 21.2% in 2018, up from 18.5% in 2017.
- In 2018, university/college graduates accounted for 85.6% of the total headcount, up 130 basis points year-on-year.
- The Bank reported a training rate of 18.6 employees per day and 18,771 participants. This included instructor-led, on-the-job, and e-learning training programs in 2018.

In conclusion, we respectfully submit to the General Assembly the Board of Auditors' Report, prepared pursuant to Article 31 of the Articles of Association of the Bank.

Best regards,

Prof. Dr. Yılmaz ÇOLAK

Member of the Supervisory Board

Faruk ÖZÇELİK

Member of the Supervisory Board

* Excluding rediscount.

Corporate governance principles compliance report

1. Statement of Compliance with Corporate Governance Principles

Halkbank has implemented, since its initial public offering in May 2007, the principles set out in the "Corporate Governance Principles" published by the Capital Markets Board of Turkey. Halkbank achieved compliance with the regulations stipulated in the Turkish Commercial Code regarding Corporate Governance. The Bank is subject to the provisions of the corporate governance structures, processes and principles set forth in the "Regulation on Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency of Turkey (BRSA).

Halkbank has achieved compliance with the mandatory principles of the CMB's "Corporate Governance Principles." However, activities to comply with the non-mandatory principles are continuing. Furthermore, all policies and measures are being applied to a significant degree, and the activities in this field are continuing in a developing manner.

Since 2011, Halkbank gets rating services on the issue of Compliance with Corporate Governance by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services Inc.) – authorized by the CMB. Concurrently, the Bank has been preeminently included in BIST Corporate Governance Index. Halkbank increased its Corporate Governance Rating, which was 9.38 over 10 in 2017, to 9.40 in 2018.

In line with the Resolution of the Capital Markets Board dated 10.01.2019 and numbered 2/49, under the Communiqué on Corporate Governance numbered II-17.1; Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF) were disclosed via the Public Disclosure Platform on 08.03.2019. In the PDP website, Corporate Governance Compliance Report can be accessed at <https://www.kap.org.tr/tr/Bildirim/746518>, and Corporate Governance Information Form can be accessed at <https://www.kap.org.tr/tr/Bildirim/746520>.

PART I – SHAREHOLDERS

2. Shareholder Relations Unit

24.98% of the Bank's outstanding shares began to be traded on the Borsa Istanbul as of May 10, 2007. Since that date, the Bank has been continuing its operations in accordance with the provisions of the Corporate Governance Principles published by the Capital Markets Board. Halkbank's free-float ratio rose to 48.93% following the secondary public offering in November 2012.

As announced via Public Disclosure Platform within the scope of the 11th Article of the Corporate Governance Communiqué and as per the provision stipulating that the director of the Investor Relations Unit must have a Level 3 Capital Market Activities License and Corporate Governance Rating License, and must be a full-time working director within the company and must be appointed as a member of the Corporate Governance Committee; As part of this effort, the shareholder relations function of the Bank is executed by the Financial Institutions and Investor Relations Department and the Financial Accounting Department as a Head Office function. The Investor Relations Unit which is formed under the Financial Institutions and Investor Relations Department, is responsible for establishing institutional relations with domestic and foreign investors that invest in equities and issued fixed-income securities. The other unit responsible for conducting relations with shareholders is the Public Disclosure, Shareholders and Equity Unit that is organized under the Financial Accounting Department. Both departments are represented in the Corporate Governance Committee and report all information regarding their operations to this committee. The Bank conducts shareholder relations with a very active organization. Mr. Erkan KİLİMCİ is the Deputy General Manager in charge of the Investor Relations Department, Mr. Yusuf Duran OCAK is the Deputy General Manager in charge of the Public Disclosure, Shareholders and Equity Department and Osman BEKTAŞ is the Head of the Public Disclosure, Shareholders and Equity Department while all of them are Bank's Corporate Governance Committee Members. Yusuf Duran OCAK is the Manager of Investor Relations Department, who is also the Deputy General Manager in charge of Financial Management and Planning, and a Member of the Corporate Governance Committee.

Throughout 2018, Investor Relations Department has engaged in activities that aim to effectively communicate with investors. Within this scope, the Bank attended 4 international roadshows and 3 one-on-one meetings, both in Turkey and overseas. Foreign investors were present in all of these organizations. Briefings were delivered to 839 investors/analysts

in 2018, answering a total of 4,814 questions. 72 of these briefings took place at international organizations and 245 at the Bank's Head Office. 321 briefings were delivered by teleconference, and 201 by e-mail and telephone. The questions were mainly about the Bank's financial structure, profitability/productivity situation, sectoral position, growth strategies, administrative structure, future expectations and about the country's economic and political structure.

In 2018, approximately 250 information requests – some of which were sent in writing to the Public Disclosure, Shareholders and Equity Unit under the structure of the Financial Accounting Department, and some of which were sent via Halkbank Dialog, electronic mail or phone – were answered.

Financial Accounting Department:

Name Surname	Position	Mail	Phone
Yusuf Duran OCAK	Deputy General Manager	yusufduran.ocak@halkbank.com.tr	(+90 216) 503 59 69
Osman BEKTAŞ	Head of Department	osman.bektas@halkbank.com.tr	(+90 216) 503 54 50
Zafer ERDEM	Director	zafer.erdem@halkbank.com.tr	(+90 216) 503 52 10

Primary Activities of the Department:

- Facilitating the exercise of shareholder rights and conducting the relationships between the Board of Directors and the shareholders,
- Maintaining and updating shareholder records,
- Responding to written requests from shareholders,
- Carrying out the Bank's capital increase-related tasks,
- Fulfilling the legal and regulatory requirements regarding the General Assembly meetings,
- Publishing the material disclosures,
- Preparing the Bank's annual report.

Financial Institutions and Investor Relations Department:

Name Surname	Position	Mail	Phone
Erkan KİLİMCİ	Deputy General Manager	erkan.kilimci@halkbank.com.tr	(+90 216) 503 55 07
Burak MÜEZZİNOĞLU	Head of Department	burak.muezzinoglu@halkbank.com.tr	(+90 216) 503 53 69
Bora Tamer YILMAZ (acting)	Director	boratamer.yilmaz@halkbank.com.tr	(+90 216) 503 49 10

Primary Activities of the Department:

- Contributing to the positive evaluations about the Bank by organizing meetings in and outside the country with investors and analysts,
- Instructing the related units to make the necessary updates (in English and Turkish) at the Bank's website on the Investor Relations page, and announcing the developments about the Bank,
- Releasing information to investors and analysts about the Bank's quarterly financial results, preparing presentations and documents about the financial results, and having these posted on the website,
- Keeping track of the developments regarding the banking industry and performances of the competitor banks, and informing the top management,
- Closely monitoring the stock performance of the Bank, and informing the top management,
- Keeping track of the daily news on the media about the banking industry, global markets, economic developments, competitor banks and Halkbank,
- Answering the questions raised by the investors and analysts, and classifying the correspondence,
- Organizing teleconference or one-on-one meetings with the investors and analysts,
- Participating in nationwide and foreign roadshows,
- Managing the relations with international rating institutions.

Corporate governance principles compliance report

3. Exercise of Shareholders' Right to Obtain Information

In order to facilitate the exercise of shareholders' right to obtain information effectively, all changes that may impact the financial and organizational structure of the Bank are announced on the Bank's website and on the Public Disclosure Platform. In addition, requests for information communicated to the Bank's units via telephone, mail or e-mail are responded as soon as possible.

Questions received by phone or e-mail about the General Assembly Meetings, capital increases, dividend payments are answered. Furthermore, written answers are given to the shareholders and other third parties who make information requests such as annual report request and etc. The Investor Relations Department promptly answers the questions received by phone or e-mail from the existing and/or potential investors, bank analysts and rating institutions. Furthermore, the unit answers the questions regarding the Bank's administrative and financial structure by organizing one-on-one and/or group meetings.

Bank's website, set up both in Turkish and English (www.halkbank.com.tr), is updated regularly. The corporate profile, Corporate Governance, financial information and annual reports, media announcements, and information regarding the sustainability, and the products and applications that create value in the economy are given on the website.

The Bank's Articles of Associations do not provide for the appointment of special auditors as an individual right; no requests were received to date for the appointment of special auditors.

4. General Assembly Meetings

An Ordinary General Assembly Meeting was held during the fiscal year on 08/13/2018, with a participation rate of 70.21% of the Bank's share capital. The announcements for the meeting were published, three weeks in advance according to the provisions of Capital Market Law No. 6362, in the Trade Registry Gazette of Turkey, two national newspapers, Public Disclosure Platform, the Central Registry Agency (CRA) - Electronic General Assembly System (EGAS) and the Bank's website. The meeting announcements were made in accordance with the provisions of the Laws and the Articles of Association.

The Bank's annual report and informational documents were made available to the shareholders prior to the General Assembly for their information and review in Public Disclosure Platform, Bank's website and Bank's Head Office. Following the Meeting, the information regarding the Board Members were announced on the Bank's website. Candidates for Board Membership were not announced before the General Assembly, because the Bank did not have information before the General Assembly. Background information on the members of the Board of Directors was disclosed through the Bank's website after the meeting.

General Assembly Meeting was held in a manner that would enable the shareholders to attend the meeting with minimum cost possible, and that would increase attendance. Persons who were entitled to attend the General Assembly Meeting, were given the opportunity to attend and vote via Electronic General Assembly System.

Shareholders exercised their rights to raise questions during the General Assembly meetings and the Bank's management team responded to these questions. There is no provision in the Articles of Association stipulating that the General Assembly Meetings should be open to public including the stakeholders and media without giving them a right to speak in order to prevent any delays and to finish the meeting on time. Shareholders didn't submit a written agenda item proposal.

Information regarding the charitable contributions and donations made during the year and their beneficiaries was included as a separate agenda item at the General Assembly meeting and it was presented to the General Assembly.

The minutes of the General Assembly Meetings are made available to the shareholders on the Bank's website and at the Public Disclosure, Shareholders and Equity Unit. In addition, the minutes of the Ordinary General Assembly Meeting of the Bank, that was held on 08/13/2018 have been published on the Bank's website and the Public Disclosure Platform, the Central Registry Agency (CRA) EGAS and the Bank's website.

5. Voting Rights and Minority Rights

There are no privileged shares among the shares of the Bank. The Bank does not have any cross-shareholding relationship with any company that has voting rights in the General Assembly. Minority shares are not represented in the Bank's management. There is no provision in the Articles of Association stipulating that the shareholders who own a portion less than one twentieth of the capital should be given minority rights. Moreover, attention is paid to allow the exercise of minority rights within the scope of the Turkish Code of Commerce and CMB regulations.

6. Dividend Right

The procedures and principles governing the Bank's profit distribution are stipulated in Article 35 of the Bank's Articles of Association. The Bank's profit distribution policy is announced to the public on the Bank's website and annual report. In previous years, the portion of the distributable profit remaining after setting aside legal reserves has been paid to the shareholders as dividend. After the profit distribution policy is specified by the Bank's Board of Directors, it is submitted to the General Assembly for approval. Profit is then distributed to shareholders within the time limits stated in the regulations. In line with the resolution of the Ordinary General Assembly Meeting that was held on 08/13/2018, dividend was paid to the Bank's shareholders. The Bank's profit distribution policy for the period ahead will be determined in light of Halkbank's equity position and the economic developments. There is no privilege with respect to participation in the Bank's profit.

7. Transfer of Shares

The Bank's Articles of Association do not contain any restrictions regarding the transfer of shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Pursuant to the "Communiqué on the Principles of Material Disclosures" published by the Capital Markets Board of Turkey, the Bank's Disclosure Policy, which was prepared for the purpose of disseminating information to the public within the framework of the Corporate Governance Principles, was drawn up in accordance with the legislation provisions. Within this scope, The Bank's Disclosure Policy is conducted by the following units.

Name Surname	Position	Unit
Osman BEKTAŞ	Head of Department	Department of Financial Accounting
Burak MÜEZZİNOĞLU	Head of Department	Department of Financial Institutions and Investor Relations
Yalçın KAYA	Head of Department	Department of Corporate Communications

Halkbank's Disclosure Policy, which sets out and defines four principal methods through which all stakeholders including shareholders, potential investors and the public at large are assured of having timely, accurate and complete information about the Bank, has been posted on the Bank's website.

Since the information to be made by the Bank has the potential significance to impact the decision-making process of investors, it is essential for Halkbank that such information is the latest, transparent, objective and accurate. As part of this policy, the independently-audited quarterly financial statements and financial structure presentations are announced through press releases as well as in the Investor Relations/Financial Information section of the Bank's website. Following the earnings announcements, Halkbank holds conference calls to discuss its quarterly financial performance, to provide guidance for its future performance and to inform stakeholders about the realization of the targets and expectations stipulated during the past periods. Future assessments are publicly announced in conformity with the provisions of the relevant legislation.

Corporate governance principles compliance report

9. The Bank's Internet Site and Its Contents

The address of the Bank's corporate website is www.halkbank.com.tr. The website is prepared in line with CMB Corporate Governance Principles, Public Disclosure and Transparency Section, article 2.1. Corporate Website. Trade Registry information, shareholding and management structure, the Articles of Association, material disclosures, Annual and interim reports, financial reports, General Assembly meeting agenda, attendance list and meeting minutes, form of power of attorney, and the Bank's policies and code of ethics are available on this website. Information given on the website is kept up to date. Furthermore, a website is also available in English for international investors.

10. Annual Report

Halkbank's Annual Report is generated in accordance with the Corporate Governance Principles and disclosed to the public.

PART III - STAKEHOLDERS

11. Informing the Stakeholders

Halkbank pays utmost attention to carry out effective, regular, continuous and safe communication with its stakeholders. All information that may have an impact on the Bank's financial and administrative structure is published on the Public Disclosure Platform and the Bank's website. In addition, in response to individual requests, questions about the Bank are answered through face-to-face meetings, road shows, in-person meeting organizations, phone calls, teleconferences and e-mails. All stakeholders can refer to the related sections of the Public Disclosure Platform or the Bank's website or other means of communication to reach this information.

Employees are informed about the Bank's products, services and activities and developments about the Bank when deemed necessary using intra-company channels of communication. (i.e. electronic announcements, corporate portal, magazine, website). In addition, meetings are held to assess the Bank's targets and strategies for managers and employees on a periodic basis. Stakeholders can refer the Bank's activities that are in breach of related laws or regulations or rules of ethics to the Corporate Governance Committee and the Audit Committee through intra-company as well as other channels of communication.

12. Stakeholders' Participation in Management

Stakeholders' rights to participate in the Bank's management are ensured within the framework of the related laws, regulations and the Articles of Association. The Bank's operating principles and relationships with customers are carried out in accordance with the defined principles of ethics.

Problems, requests, opinions, suggestions and complaints about products and services delivered to customers are communicated to the Bank via phone, fax, mail, branch, e-mail and social media channels as well as through the Head Office units and official bodies. Using certain procedures, requests, opinions, suggestions and complaints communicated to the Bank are processed, evaluated and as a result feedback is provided as soon as possible.

Halkbank strives to deliver all banking services effectively and efficiently to continuously create added value for its customers, shareholders and employees. As part of this effort, the Bank has developed a Quality Recommendation System for the purpose of improving the business processes and delivering more efficient and higher quality services. Employees are also encouraged to participate in the management within the scope of this system. Employees submit their suggestions through this system and the suggestions that conform to the evaluation criteria are implemented.

13. Human Resources Policy

Türkiye Halk Bankası A.Ş. Human Rights and Human Resources Policy featured in the Human Rights Directive is the basis for the determination and implementation of the Human Resources Policy.

The Human Rights and Human Resources Policy was published on the corporate web site and thus disclosed to shareholders (https://www.halkbank.com.tr/yatirimci-iliskileri/images/channels/politikalar/hum_rig_hum_res.pdf).

There is an existing Collective Agreement between the Bank and the trade union Öz-Finans İş, which is at the II. Term, and which is covering the period of 01.01.2017-12/31/2018. Trade unions have workplace representatives who are charged with managing relations with the personnel.

No complaints were received from the personnel regarding discrimination. Job descriptions, organization structure, performance and rewarding system are being advised to employees. Additionally, there is a corporate portal where all employees can access this information.

14. Code of Ethics and Social Responsibility

The code of ethics consists of the principles and the regulations that Türkiye Halk Bankası A.Ş. employees need to follow when performing their duties. These principles aim at preventing any disputes or conflicts of interest that may arise between employees, shareholders, customers and the Bank. Attitudes and behavior in violation of these rules are evaluated in accordance with the Discipline Regulation. Halkbank expects its employees to act according to the rules of common sense and goodwill with regard to the issues and circumstances that fall outside the scope of these rules.

Halkbank's "Code of Ethics" is a supplement to the job contract and an integral part of the Human Resources Directive. The Code of Ethics features detailed information on a range of issues-such as the principle of equality, confidentiality of customer information, conflict of interest, non-business activities, responsibilities of managers, and acceptance of gifts and personal benefits. The Code of Ethics is divided into chapters titled Customer Relations, Competition, Protection and Confidentiality of Information, Employee Responsibilities, Offers and Gifts, Responsibilities to Employees, and Anti-Corruption Policy.

The Code of Ethics was disclosed to the general public through the Bank's web site.

With its social responsibility mission and high sense of mission; Halkbank developed its corporate social responsibility activities within the framework of sustainability, social economic and environmental factors, and continued to add value to social and cultural structure of the country offering its experience in these fields to society's service.

With its 80-year track record of success in the banking industry, Halkbank has established itself as one of the most important supporters of SMEs and the real economy. In line with its mission of supporting entrepreneurs and its social responsibility awareness, the Bank offers the necessary financial support to entrepreneurs through the Young, Bold, Master and Inventor Entrepreneur Loans-customized according to criteria such as education, age and work experience. The aim is to promote entrepreneurship, boost employment, support entrepreneurs in establishing new businesses, and encourage youth to actively participate in the economy. In addition, the Bank gave support to various social responsibility projects in fields such as education and culture. Additionally, Halkbank continued to provide zero-interest loans and other financing support to entrepreneurs who have been certified as a master as per the Apprenticeship and Vocational Training Act No. 3308 for at least three years as of the date of the loan application, and to young tradesmen and craftsmen entrepreneurs who have completed the KOSGEB Entrepreneurship Support Program and were below the age of 30 on the date of the application. Furthermore, the Bank supported various educational and cultural social responsibility projects.

Corporate governance principles compliance report

Some of these are;

- Sponsoring Hilye-i Şerif and Prayer Beads Museum,
- Sponsoring the Awards Ceremony of "Women Empowering Turkey,"
- Sponsoring the Exhibition of "Finance from the Time of the Bankers of Galata Until Today,"
- Sponsoring İstanbul Finance Summit,
- Sponsoring Ahi Week Celebrations,
- Sponsoring "The Forum and Fair of Energy Efficiency"
- Sponsoring "Bonds, Loans & Sukuk Dubai Conference,"
- Sponsoring İstanbul Youth Festival,
- Sponsoring the International Clarinet Festival,
- Sponsoring the "Book of Energy Efficiency for SMEs."

110

The Bank lent sponsorship support to the meetings organized in cooperation with the Ministry of Trade that conducted field research and literature review in related industries for tradesmen and craftsmen.

Child Homes were established by the Ministry of Family, Labor and Social Services, to raise the children who are in need of protection. Halkbank provided support for building a visual infrastructure for these homes, to make them safer, and to raise their standards to contemporary levels.

The Project called "Children Want, Halkbank Does" was initiated to ensure that the wishes of 80 children were realized in our 80th year. Under this project, children's wishes were collected on the April 23rd National Sovereignty and Children's Day, by placing "Wish Boxes" all over İstanbul, and by reaching the broad Turkish community through social media. Finally, the wishes of 80 children were fulfilled.

Halkbank continued to put its SME website (www.halkbankkobi.com.tr) into service in order to provide premium service, comprehensive informational resources and other support to SMEs, and bring them together on a single platform. Providing assistance to all SMEs, whether they are a Bank customer or not, this platform offers complimentary advisory services to small and medium enterprises covering a wide variety of subjects including ones that are most heavily demanded by SMEs such as entrepreneurship, investment advisory, incentives, grants and supports, financial management, tax, labor law, law of obligations, foreign trade, retirement, insurance, and institutionalization. In addition to these services, the Bank regards support for entrepreneurship as a social responsibility project and supports entrepreneurs via credit facilities and training programs. Entrepreneurs can access the e-learning modules on the Halkbank SME Development Platform to solidify their personal and professional development, and to increase the performance and service quality of their businesses in such areas as entrepreneurship, finance, law, quality, efficiency, leadership and international trade. The entire set of training programs are available online for SMEs for access from any location, at any time they choose. All these training activities for entrepreneurs are free of charge.

Enhancements were carried out on the "Accessible Bank24" Project, which helps disabled customers to use ATM's easily, without requiring physical assistance. People with physical disabilities can conduct all ATM transactions using Accessible Bank24s. Visually-impaired individuals can perform cash withdrawal or balance inquiry transactions via headphones utilizing the text-to-speech technology. Optionally, the customer may select to mask the account information on the ATM screen.

Our Accessible Bank24 ATMs serve visually-impaired customers at 126 locations and customers with physical disabilities at 159 service points throughout the country whether they are Halkbank customers or not. At 57 locations there are 342 ATMs in total for both visually as well as physically impaired customers.

Our customers who have both speech and hearing impairment but who can communicate by sign language are now provided a translation service by our Customer Representatives who can speak sign language. This service is provided at our Branches which offer visual communication services.

Hearing impaired customers can report stolen or lost credit cards using the online secure messaging service, and can get advise on the actions they can take. Internet banking and mobile banking branches have been modified to enable visually impaired customers to use digital banking channels.

PART IV – BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

Name Surname	Position	Commencement Date of Term*	Date of Becoming Independent Member	Ending Date	Committee Assignment
Recep Süleyman ÖZDİL	Chairman	28.08.2015		Continues	
Himmet KARADAĞ	Vice Chairman	13.08.2018		Continues	
Osman ARSLAN	Board Member and General Manager	08.06.2017		Continues	Credit Committee Permanent Member
Meltem TAYLAN AYDIN	Board Member	08.06.2017		Continues	Compensation Committee Member
Mehmet Nihat ÖMEROĞLU	Independent Board Member	08.06.2017	07.07.2017	Continues	Chairman of the Corporate Governance Committee, Sustainability Committee Member, Credit Committee Substitute Member
Maksut SERİM	Board Member	08.06.2017		Continues	
Sadık TILTAK	Independent Board Member	01.04.2014	01.04.2014	Continues	Chairman of the Audit Committee, Chairman of the Sustainability Committee, Credit Committee Permanent Member
Sezai UÇARMAK	Board Member	27.02.2019		Continues	Corporate Governance Committee Member, Credit Committee Substitute Member
Dr. Ahmet YARIZ	Independent Board Member	13.08.2018	13.08.2018	Continues	Chairman of the Compensation Committee, Audit Committee Member, Credit Committee Permanent Member
Prof. Dr. Yılmaz ÇOLAK	Member of the Supervisory Board	08.06.2017		Continues	
Faruk ÖZÇELİK	Member of the Supervisory Board	29.03.2013		Continues	

* The commencement date is the date on which the Members were first elected.

The Members of the Board of Directors are elected for a period of three years. The Members of the Board of Directors are authorized to enter into transactions in accordance with the provisions of the related articles of the Turkish Commercial Code. The personal backgrounds of the Members of the Board of Directors are presented in the Bank's annual report as well as on the Bank's website and announced to the public.

All Members of the Bank's Board of Directors possess the minimum qualifications required for Members of the Board of Directors as stipulated in the Capital Markets Board's Corporate Governance Principles.

The following is the statement of independence by Mehmet Nihat ÖMEROĞLU, who was elected an Independent Board Member at the Ordinary General Assembly in 2017:

"To: The Corporate Governance Committee of T. Halk Bankası A.Ş.,

I am a candidate to serve as an Independent Member for the Board of Directors of T. Halk Bankası A.Ş., and I hereby state the following;

- Within the last five years, neither me, nor my wife and my blood relatives and relatives by marriage up to the second degree; have not entered into a significant relationship, meaning, i) employment relationship of important duties and responsibilities, ii) shareholding relationship which is above 5% of equity or voting rights or privileged shares, iii) an otherwise significant business relationship; with: i) the Bank, ii) the companies that the Bank controls or affects significantly, iii) shareholders who have a significant impact on the Bank, iv) legal persons who are being controlled by these shareholders,
- Within the last five years, I have not been a shareholder (5% and above), a board member, or an executive in charge of significant duties and responsibilities, at: i) the companies that are providing audit services to the Bank, including tax audit, regulatory audit and internal audit, ii) the companies that are providing rating and advisory services to the Bank, iii) the companies that the Bank is purchasing from/selling to products or services in significant amounts; during the term in which such services and products are being provided,

Corporate governance principles compliance report

112

- c) I possess the professional education, knowledge and experience that are required to fulfill my duties as an Independent Board Member,
- d) I will not work as a full time employee for governmental entities and institutions if I am elected as a Member,
- e) I am a Turkish resident according to the Income Tax Law dated 31.12.1960 and numbered 193,
- f) I possess strong ethical standards, professional reputation and experience that will enable me to contribute positively to the Bank, to maintain my independence in case of conflicts of interest between the Bank and its shareholders, and to freely decide, considering the rights of the stakeholders,
- g) I will be able to allocate the necessary time to Bank's business, to the extent to watch the functioning of the Bank's activities and to fulfill the requirements of my duties,
- h) Within the last 10 years, I have not been a Board Member of the Bank for more than 6 years,
- i) I am not an independent board member at; i) more than three of the companies managerially controlled by the Bank of the shareholders who are also managerially controlling the Bank, ii) more than five of the companies that are listed on the stock exchange,
- j) I have not been registered and announced on behalf of a legal person that is elected as a Board Member."

In 2018, there was no breach of independence of the Independent Members of the Board of Directors.

There is one female member in the Board of Directors. There is no policy specifying a target ratio – that must be no less than 25% – and timeline for female members to be in the Board of Directors. However, our Bank does not have any regulation that prevents shareholders from electing a female member to the Board of Directors.

Whether the Members of the Board of Directors are permitted to hold positions outside of the Bank are determined in accordance with the Banking Law as well as the Regulations and Board Resolutions of the Banking Regulation and Supervision Agency of Turkey.

The Members of the Board of Directors can hold positions in representation of the Bank at the subsidiaries that the Bank has the right to represent.

16. Operating Principles of the Board of Directors

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obligated to convene at least once a month. The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting at least 24 hours before the meeting and it is delivered to the Members along with the meeting invitation by hand or by the Board of Directors Secretariat Services Department.

The Board of Directors Secretariat Services Department enters the Board Decisions into the decision book. All discussions and briefings that take place during the meetings are recorded and kept by the Board of Directors Secretariat Services Department.

Neither the Articles of Association of the Bank nor the Regulation on Management Bodies gives any majority voting rights nor affirmative/negative veto rights to any Member of the Board of Directors.

In 2018, 50 Board of Directors Meetings were organized. The Members' attendance rate to the meetings was 99%.

The authorities and responsibilities of the members of the Board of Directors are primarily set out in the Bank's Articles of Association and also in the "Internal Directive on Management Bodies" adopted pursuant to Board of Directors Resolution No. 34-33 dated August 12, 2014. This Internal Directive sets out in detail the Bank's operating principles and the duties and authorities of the Board of Directors, the Credit Committee and the General Manager of the Bank. While the Internal Directive on Management Bodies includes provisions on the Audit Committee, detailed regulations are stipulated in the Internal Directive on the Duties, Powers, Operating Principles and Procedures of the Audit Committee adopted pursuant to Board of Directors Resolution No. 34-01 dated October 31, 2006.

The authorities and responsibilities of the Bank's Managers are stipulated in the existing directives and also determined by the authorities delegated by the Board of Directors particularly in financial matters as well as the authorities delegated to the lower ranks by the General Manager, to whom these authorities were delegated in the first place.

Halkbank implements the 396th Article of the Turkish Code of Commerce that stipulates competition ban as well as the relevant provisions of the Banking Law. In 2018, the Members of the Board of Directors did not make any transactions with the Bank, which would be breaching this scope. The Bank has an employers' liability insurance, with an upper limit of 50 million Euros, which covers the Top Management's personal responsibilities and the mistakes they may make while carrying out their tasks.

17. Number, Structure and Independence of Committees Formed by the Board of Directors

The Bank has established committees comprised of the members of the Board of Directors: Credit Committee, Audit Committee, Corporate Governance Committee, c Committee and Sustainability Committee. In addition to these committees, there are a number of other executive and/or directing boards, committees and commissions in which the Board of Directors members do not take part

Audit Committee was established within the Board of Directors of the Bank in order to assist the Board of Directors in carrying out audit and supervision activities. Audit Committee is composed of at least two non-executive Members of the Board of Directors. The units established within the scope of internal control, internal audit and risk management systems and the independent audit corporations submit regular reports to the Committee about the tasks they perform. In case of having issues that may have negative impacts on continuously and safely carrying out the activities of the Bank, and if there is a breach of legislation and internal regulations, Audit Committee is responsible for informing the Board of Directors about these issues. The Committee convened 12 times in 2018.

In accordance with the Regulation on Lending Transactions of Banks published by the Banking Regulation and Supervision Agency, the Credit Committee consists of at least two members of the Board of Directors and the General Manager. The General Manager acts as the Chairman of the Credit Committee. In the absence of the General Manager, the Credit Committee is presided over by a permanent member of the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the Committee's activities to ensure that they are run in an effective and healthy manner. The Committee convened 49 times in 2018.

The Compensation Committee is composed of two Members of the Board of Directors. The Committee Chairman is an Independent Member of the Board of Directors while both Members of the Board of Directors are non-executive members. Compensation Committee effectively carries out its activities within the scope of monitoring, auditing and reporting the compensation practices on behalf of the Board of Directors. The Committee convened once in 2018.

Corporate Governance Committee was established in order to; i) monitor Bank's compliance with the Corporate Governance Principles within the framework of Banking Regulation and Supervision Agency ("BDDK") and CMB's Corporate Governance Principles regulations, ii) ensure that improving activities are carried out on this issue, and iii) advise the Board of Directors. Corporate Governance Committee also nominates the Independent Members of the Board of Directors to be elected for the Board of Directors.

Corporate Governance Committee is composed of 2 Members of the Board of Directors, 3 Assistant General Managers and 2 Unit Directors. Corporate Governance Committee Chairman is an Independent Member of the Board of Directors.

The mandatory Article numbered 4.5.1 of the Corporate Governance Principles exempts banks from the obligation of creating Early Detection of Risk Committee. Nomination Committee was not established in 2018. As per Article 4.3.2.3 of the Internal Directive on Management Bodies dated 15.05.2018, the Bank delegated the functions of Nomination Committee to the Corporate Governance Committee in compliance with the regulatory provisions of the Capital Markets Board and Banking Regulation and Supervision Agency. The Committee convened 5 times in 2018.

Corporate governance principles compliance report

Sustainability Committee was established under the Board of Directors in order to coordinate Bank's activities in regard to sustainability.

Sustainability Committee is composed of 2 Independent Members of the Board of Directors, 5 Assistant General Managers, and 10 Unit Directors. Committee's Chairman is an Independent Member of the Board of Directors and Vice Chairman is a Member of Board of Directors. The Committee convened 5 times in 2018.

Meetings of the Committees of the Board of Directors are recorded in writing. Board of Directors provides all means and support necessary for the efficiency of the activities of the Committees.

Committees' members are determined by the Board of Directors. Detailed information about Committees' structure, tasks and functioning is available in the Annual Report and on the website.

Considering the number of the Members of the Board of Directors of the Bank, a Member of the Board of Director can assume tasks in more than one committee.

18. Risk Management and Internal Control Mechanism

Pursuant to Articles 23, 24, 29, 30, 31 and 32 of the Banking Law No. 5411, banks are responsible for establishing and operating adequate and effective internal control, risk management and internal audit systems that cover all branches and all subsidiaries and affiliates subject to consolidation and that are compatible with the scope and structure of their activities and compliant with changing conditions in order to monitor and control their risk exposure.

In this context, the Bank's Risk Management, Internal Control and Internal Audit units carry out their activities in compliance with the above-mentioned articles and the Regulation on Internal Systems of Banks and Evaluation Process of Internal Capital Adequacy published in Official Gazette (No.29057 dated July 11,204) by the Banking Regulation and Supervision Agency of Turkey.

The internal systems units carry out their activities under the Audit Committee, which consists of Board of Directors members with no executive functions. These activities intend to measure and eliminate potential risks.

Of Internal Systems units, the Departments of Internal Control and Risk Management operate under the supervision of the Assistant General Manager in charge of Internal Control and Risk Management under Internal Systems Vice Chairman while the Board of Inspectors operates under the supervision of the Audit Committee, which is formed to provide support in carrying out the control and supervision on behalf of the Board of Directors.

The Board of Inspectors oversees that the Bank carries out its activities in accordance with the Law and other related regulations as well as internal strategies, policies, principles and objectives; the smooth, adequate and effective functioning of the risk management and internal control systems. These activities are reported to the Bank's senior management quarterly. The operations of the internal systems units for the measurement and elimination of risk and their findings regarding the safe operation of the Bank are evaluated by the Audit Committee every six months and are reported to the senior management of the Bank. In addition, the Audit Committee has regular meetings with the internal systems units throughout the year to analyze and evaluate the Bank's risks. Audit Committee's evaluation report is available in the Annual Report.

19. Strategic Goals of the Company

The Mission, Vision, Main Goals and Core Strategies of the Bank were adopted pursuant to Board of Directors Resolution No. 41-04 dated December 27, 2006 and disclosed to public on the Bank's website.

The Bank's annual budget and strategic plan are approved by the Board of Directors. Target achievement reports are biweekly tracked by the Board of Directors. Bank's top management periodically organizes performance meetings with branch and region managers in order to evaluate target achievement. Furthermore, in addition to the presentations made to the Board of Directors, financial statements and indicators regarding target achievement are daily available via technological infrastructure system.

20. Financial Benefits

In accordance with Article 23 of the Bank's Articles of Association, the Bank pays a monthly salary to the Members of the Board of Directors. The amount of such monthly salary is determined by the General Assembly. In 2018, gross TRY 10.7 million payment was made to the Members of the Board of Directors and to the senior executive managers of the Bank. On the other hand, taking the banking sector practices into account; compensation and all other benefits granted to the Members of the Board of Directors and to the managers who have administrative responsibilities are not announced on individual basis. The Compensation Policy was created regarding the wage criteria of the Bank employees and published on the Bank's website after being submitted for the approval of the shareholders at the General Assembly. There is no detailed explanation in the Compensation Policy about how the wage basis of the Members of the Board of Directors will be calculated. The compensations of the Members of the Board of Directors are determined by the General Assembly. Within the limits in the Banking Law, credit facilities are provided to the Members of the Board of Directors. Compensations and all benefits given to the Members of the Board of Directors and executives are publicly announced in the Annual Report and on the website.

Audit Committee's assessment on the operation of the internal control and compliance, internal audit and risk management systems and information about its activities in 2018

116

Board of Inspectors

Türkiye Halk Bankası A.Ş. Board of Inspectors carries out its activities via the Audit Committee under the Internal Systems Vice Chairman on behalf of the Board of Directors.

The Board of Inspectors audits periodically with a risk-based approach without any limitations, all of the Bank's activities and units including the domestic and overseas branches and Head Office departments to provide assurance to the senior management regarding the compliance of the Bank's activities with the law and other related regulations and the Bank's internal strategies, policies, principles and objectives as well as the effectiveness and adequacy of the internal control, compliance and risk management systems; identifies the deficiencies, errors and misconduct; and offers its opinions and recommendations for preventing the recurrence of similar situations and ensuring the effective and efficient use of the Bank's resources.

As of 12/31/2018; with 176 bank examiners coordinated by the 4 Assistant Directors and 1 IT Team Leader, the Board of Inspectors carries out its activities within the framework of ISO 9001:2015 Quality Management System Standards, and with a risk oriented approach, under three separate methods complementing each other: On-site Audit, Centralized Audit, and Information Technologies Audit (The Board is composed of 181 members). There are (6) clerical staff who are handling administrative and operational tasks for the Board Management and auditors.

On-site audit activities are carried out via working programs prepared in line with the Bank's targets, strategies and policies, as they are performed in accordance with the annual audit plan. In on-site audit activities, Bank's reporting systems are utilized besides the special reports like Credit Report Package, Operation Report Package issued by the Centralized Audit Team. Thus, bank examiners can work more effectively and efficiently.

Centralized Audit activities are carried out by issuing and reviewing various special reports in order to early detect potential frauds and operational faults focusing on transactions with high risk level, and to prevent potential actions that would damage the benefits of depositors and Bank's shareholders.

Furthermore, a structure of a model is being built to detect irregularities quickly and effectively. An initiative under this scope has been the Risky Staff Identification Model, which aims to differentiate the staff who have previously been the subject of specific type of investigations from the other staff. A rating model was created, based on the differentiating factors identified. With this rating model, a riskiness level is specified for the Bank's active employees.

Within the scope of Information Technologies Audit; assessment is made regarding the efficiency, sufficiency and compliance of the information systems of the Bank and affiliates subject to consolidation.

Within the framework of risk oriented audit approach; based on the 2018 Audit Plan; 559 Branches, 15 Regional Coordination Units, 24 Departments, 11 Affiliates, 4 Foreign Branches, 22 Exchange Operation and Cash Operation Centers, and 6 process audits were made. Within the scope of Information Technologies; 128 control targets of 17 COBIT processes, and 62 applications were audited.

In 2018, the Board of Inspectors carried out centralized and on-site audit activities or examinations and investigations regarding the illegal transactions discovered after warnings and complaints.

Additionally, being a part of the preventive function of the Board of Inspectors "Awareness Notifications" were issued on various dates, to increase awareness of the Bank's employees, thus preventing fraud, mistakes and irregularities.

With the help of the Symptom Monitoring System established within the structure of the Board of Inspectors controls are made regarding the up to date risk status of the symptoms found during audit, and activities performed by relevant units to eliminate such symptoms. Thus, not only are the symptoms reported, but actions are taken to eliminate them, as well.

Training opportunities in and outside the Bank are provided to the Board of Inspectors of Members who perform audit activities in various units of the Bank, having the opportunity to gain experience in every field of banking profession. As a result; the Board of Inspectors Members are given support to receive various certifications, and the Bank is provided with a qualified workforce.

Halkbank Board of Directors' management declarations are made regarding the information systems and banking processes of the Bank. Audit is performed on accuracy of the data used in the Internal Capital Adequacy Evaluation Process Report, sufficiency of the systems and processes, and whether data, systems and processes allow correct information and analysis while the process of issuing the consolidated and non-consolidated financial statements of the Bank is audited. Also within this framework; the results of the report issued by the Bank within the scope of "Internal Capital Adequacy Evaluation Process (İSEDES)" is effectively evaluated by the Board of Inspectors during the validation process.

In addition to the aforementioned issues, pursuant to the Regulation issued by the BRSA on "the Banks' Internal Systems and the Evaluation Process of Internal Capital Adequacy," article 7, paragraphs 2n and 2o under the heading of "Authorizations and Responsibilities of the members of the Audit Committee," purchases of support and valuation services are audited annually, purchases of rating and independent audit services are audited quarterly, and audit reports are presented to the Board of Directors. Also pursuant to the related provisions of the same Regulation, "Report on the Activities of the Board of Inspectors" and "Audit Committee Periodic Evaluation Report" are prepared quarterly.

By means of the effective and efficient audits it will perform with high responsibility and sense of duty, in line with the targets and policies that will be determined by the Bank's top management, the Board of Inspectors will continue to successfully perform the internal audit function within the structure of Türkiye Halk Bankası A.Ş. which is one of the banks having the widest branch network of the banking sector in our country.

Internal Control

The Bank's Internal Control Department performs the tasks of monitoring and making evaluations through financial, operational and other control points and reporting its findings to the management levels simultaneously, impartially and objectively under the oversight of the Audit Committee Assistant General Manager and the Board of Directors within the framework of the provisions of the Banking Law No: 5411 and the Banking Regulation and Supervision Agency of Turkey's Regulation on the Internal Systems of Banks in accordance with generally-accepted professional standards and rules of business ethics with a proactive and preventative approach with the purpose of protecting the Bank's assets; ensuring that the Bank's operations are conducted in an effective and efficient manner in compliance with the law and other relevant legislation, the Bank's internal policies and rules and banking best practices; and ensuring the reliability and integrity of the accounting and reporting systems and prompt access to the data.

Audit Committee's assessment on the operation of the internal control and compliance, internal audit and risk management systems and information about its activities in 2018

Risk-oriented control activities carried out at the Head Office Units, regional coordinator's offices, all domestic and overseas branches, domestic and overseas subsidiaries, and cash operations centers, supported by reports generated from the central system database and cross checks, create an effective internal control infrastructure.

Laws, regulations, Banking Regulation and Supervision Agency ("BDDK") regulations and up to date Bank legislation is tracked while changes are incorporated into control guidelines and control points simultaneously. As a result, control guidelines which determine the scope of on-site control tasks, and the control points are kept up-to-date on a continuous basis as per the regulatory framework and the Bank's goals.

Business processes are analyzed and opinions and recommendations for increasing efficiency and productivity are communicated to the related departments. Internal Control activities' results are periodically analyzed, and service points and topic based risk assessments are regularly presented to the top management.

The application called İKSİR (Internal Control Management Examination and Reporting) is being used since the beginning of 2017. With this application, internal control reporting can be handled on a web based platform, findings can be monitored real time, leading to immediate action. The application replaces paperwork with electronic documentation and messaging, brings an effective monitoring mechanism for findings and the actions taken on findings, produces analytical data and provides analysis tools for such data.

In addition to the controls performed on-site, the scope of the centralized audit is expanded. Furthermore, it will be possible to enter the findings in the database in a retrospective manner to create region- and branch-based risk maps and conduct analyses in different subject areas. Scenarios are created for the risk elements which are not possible to prevent systematically, or which require a long time span to prevent, and these scenarios are updated continuously. The results of these scenarios are checked centrally, or relayed to the internal controller for on-site checks. Additionally, regional coordination offices are checked directly at the center.

IT control group, organized at the level of Directorate, Information Systems, Process and Financial Reporting Controls team actively checks the communication channels and information systems, carries out activities with a team to make sure that data obtained within the Bank is reliable, complete, trackable, consistent and suitable (to meet the needs), and that relevant units and staff members can promptly access the data. In addition to these activities, financial system controls were included within the scope of continuous controls in the Department.

Upon the requests of the Bank's top management, the Board of Inspectors, Headquarters Units and Regional Coordination Offices in various topics, Internal Controllers investigate the particular issues detected during the controls and report the results. During the investigation, information and documents about the investigated issue are evaluated in detail while issues that need to be investigated by an auditor are submitted to the Board of Inspectors, and issues that can be resolved with administrative measures are submitted to the relevant units of the Headquarters.

As of 12/31/2018, the Internal Control Department comprehensively carries out its control activities with a staff of 192 people. The team is comprised of 1 Section Head, 4 Directors, 48 Senior Internal Controllers, 76 Internal Controllers, 61 Assistant Internal Controllers and 2 clerical staff.

The Training Guidebook and Catalog sets forth the processes and implementation procedures for training programs required for professional and personal development of internal controllers throughout their career. 2018 training activities were carried out according to this Guidebook. Training programs can be delivered in-house, or by an external provider. The personnel's professional and personal development is supported as they are encouraged to get certification in various fields.

Compliance

A Compliance Department was established pursuant to the Board of Directors resolution numbered 39 dated November 14, 2017 in order to carry out the Bank's obligations in accordance with the Prevention of Laundering of Crime Revenues legislation more effectively, and to oversee the Bank's legal and regulatory compliance activities.

The Bank Compliance Program was issued in order to fulfill the Bank's responsibilities within the scope of Law no. 5549 on Prevention of Laundering of Crime Revenues. Under the Compliance Program, the risk management, monitoring and control activities, and activities for complying with national and international legislation regarding the prevention of laundering of crime revenues and financing of terrorism are performed by the Compliance Group which reports to the Audit Committee.

Within the scope of the controls made to check the compliance with the legislation, compliance controls are made to see if the Bank's existing and future activities and new transactions and products comply with the Law and other relevant legislation, the internal policies and rules of the Bank, and banking trends. Bank employees are informed as soon as possible of any changes in the law and other applicable legislation.

Risk Management

Pursuant to the provisions of the Regulation by the BRSA on "the Banks' Internal Systems and Evaluation Process of Internal Capital Adequacy" which was published in the Official Gazette dated 07/11/2014 and numbered 29057, Risk Management Department operates under the Assistant General Manager in charge of Internal Systems, but reports to the Board of Directors, through the Audit Committee.

The Audit Committee has examined the reports on credit, counterparty credit, market and operational risk elements generated by the Risk Management Department as well as the results of the scenario analyses and stress tests.

Some of these are;

- The Bank's capital adequacy ratios are above the legal limits, including the capital cushions. The rates are also above the legal limits with respect to liquidity coverage ratio,
- As a result of the validation efforts performed in order to measure the effectiveness of the Bank's internal rating systems, the results generated by the Bank's rating systems are at acceptable levels,
- Credit default rates are at reasonable levels,
- The Bank is improving the criteria to specify the limits of its risk appetite,
- Credit ratings of legal entity credit customers are considered and a balance of risk and collateral is maintained, based on the riskiness of the customer,
- Within the framework of Internal Capital Adequacy Evaluation Process (İSEDES), gap analyses are carried out to determine the compliance levels with the best practice guidelines issued by the BRSA. Activities to close these gaps are continuing,
- As a result of the structural interest rate risk analyses conducted to measure the interest rate risk inherent in banking calculations, the impact of changes in interest rates on the Bank's economic value is below the upper limits stipulated by the Banking Regulation and Supervision Agency,
- Based on the results of the Value at Risk Analysis conducted by the Bank with an internal model to measure market risk, the market risk the Bank is exposed to is at levels that can be covered by the Bank's equity,
- The Bank is fully compliant with the liquidity ratios mandated by the Banking Regulation and Supervision Agency.

Audit Committee's assessment on the operation of the internal control and compliance, internal audit and risk management systems and information about its activities in 2018

- Works are under way to build an Asset - Liability Management Module, which will produce the Bank's legal reporting, and static and dynamic risk management reporting. The module will also include budget simulations, deposit customer behavior, stress tests for liquidity and other risk components, scenario analysis and an administrative fund transfer pricing,
- Necessary modules to calculate the Expected Credit Loss Provision (BKZK) under IFRS-9 were developed, and deployed on 01.01.2018. Ratings are produced monthly, and fed to the database to be used in BKZK calculation,
- Pursuant to the Communiqué on "Calculation of the Amount Subject to Credit Risk with an Internal Rating Approach," models were developed for the Probability of Default, Loss in Case of Default, and Default Amount, and these models were validated,
- The new Retail Default Probability models were deployed in 2018, and are being used as support for the decision making process of credit extensions. The model should be integrated to the Core Banking System, before being used as decision making support for legal entity customers. This stage is planned, and activities are under way,
- Also, the activities to use the output of the model in the Bank's important business processes such as credit extension, pricing and monitoring are continuing,
- Application documents are prepared to submit to the BRSA, to calculate the Amount Subject to Credit Risk with an Internal Rating Approach,
- Information technology infrastructure improvements are continuing, to calculate the capital with respect to credit, market and operational risks, according to both standard and internal methods. Reporting tools and automation applications are being renewed in this scope,

Dr. Ahmet YARIZ

Independent Board Member
Member of the Audit Committee

Sadık TILTAK

Independent Board Member
Chairman of the Audit Committee

Financial standing, profitability and debt-servicing capability

Composition of Assets

As a result of its activities in 2018, the Bank's total assets grew by 23.9% to reach TRY 378,422 million.

The Bank's major placement categories consist of credits (TRY 250,546 million; 66.2% of assets), securities portfolio (TRY 74,557 million; 19.7% of assets) and liquid assets (TRY 40,098 million; 10.6% of assets) while the share of other placements stands at 3.5%.

The major increases as of year-end 2018 compared to the previous year were registered in Turkish lira cash credits (TRY 48,409 million).

As of the end of 2018, cash credits of the Bank increased by 23.9%. The credit-deposit ratio was 100.7%.

The Bank's non-performing loans amounted to TRY 8,528 million as of year-end 2018 and non-performing loans/total cash credits ratio stood at 3.29%.

Composition of Liabilities

The Bank's resources consist primarily of deposits (TRY 248,855 million; 65.8% of liabilities), non-deposit resources (TRY 68 million; 18% of liabilities) and shareholders' equity (TRY 29,021 million; 7.7% of liabilities) while the share of other liabilities stands at 8.5%.

The major increases as of year-end 2018 compared to the previous year were registered in Turkish lira deposits (TRY 55,628 million).

Deposits are the Bank's most important funding source. Different types of deposits fared as follows in 2018: Foreign exchange deposit accounts, which comprise 36.3% of the total deposits, rose by TRY 30,100 million; savings deposits, which comprise 24.7%, went up TRY 11,155 million; bank deposits, which comprise 12.4%, increased TRY 11,790 million; commercial deposits, which comprise 15.8%, rose by TRY 1,348 million; governmental entities' deposits, which comprise 4.6%, decreased TRY 2,309 million.

Out of all deposits, 56.3% are in Turkish Lira, and 43.7% are in foreign currency. The share of demand deposits in total deposits stands at 21.1%.

Structure of Profitability

The Bank closed 2018 operating period with a net profit of TRY 2,522 million. The major income and expense items that constituted the profit for the period are stated below.

Interest income from asset placements, the Bank's most important source of income, stood at TRY 36,671 million as of the end of the year.

78.6% of interest revenues, being TRY 28,812 was derived from credits, and 19.2% being TRY 7,045 million was derived from securities. The most significant increase compared to the previous period was realized in the interest revenue from credits, as TRY 9,852 million.

The largest item comprising the Bank's interest expenses was interest paid to deposits with TRY 20,720 million and 72.5% share of the total. Interest paid to deposits was the major expense item of the Bank in 2018. Together with other interest expenses for TRY 7,872 million, total interest expenses were TRY 28,591 million.

The Bank's net interest income as of the end of the year was TRY 8,080 million.

Net fee and commission income decreased by 3.8% compared to the previous year and was realized as TRY 1,950 million.

Financial standing, profitability and debt-servicing capability

The Bank allocated provisions for expected losses in the amount of TRY 3,135 million for its activities in 2018.

Personnel expenses, which constitute a major portion of operating expenses increased by 20.7% compared to the previous year, and reached TRY 2,394 million.

As a result of its activities in 2018, the Bank earned a pre-tax profit of TRY 2,718 million and, after provisioning TRY 196 million for taxes, a net profit of TRY 2,522 million. The Bank maintained its sustainable profitability in 2018.

Solvency

The widespread and strong deposit base which is the most important resource for the Bank acted as an efficient instrument for covering short-term debts. The existing customer base is the most important factor the Bank relies on for the procurement of the necessary resources. The Bank's core deposit rate is around 94%; this ratio makes a large contribution to the Bank's liquidity.

The 2018 year end capital adequacy ratio of the Bank was 13.8%, above the minimum legal ratio. The equity structure, which is strengthened with sustainable profitability and the well-planned dividend distribution policy of the Bank, is on a level that can compensate the increased value subject to credit risk.

Halkbank is a Turkish government debt securities market maker and with the help of its strong capital and financial structure, it has a special position in the sector with regard to borrowing and fund procurement.

With many years of banking experience, Halkbank has a respectable position both in Turkey and in international markets. The Bank's relations with nearly two thousand correspondent banks, presence abroad and extensive branch network across Turkey show the strength of its strong organizational structure in terms of fund procurement.

In 2018, Halkbank continued its efforts to increase the quality of its assets while diversifying its existing and alternative funding sources.

Risk management policies by risk types and risk management information

The Bank developed its risk policies and implementation principles in accordance with the provisions of Article 36 of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Evaluation Process published in the Official Gazette No. 29057 dated July 11, 2014.

Halkbank's risk policies aim to ensure that the Bank conducts its operations in accordance with the procedures and principles stipulated in the Banking Law and in line with its mission and goals of profitability and productivity while safeguarding the interests of the Bank's depositors and the shareholders to the maximum extent possible.

The "Risk Management Policies and Implementation Procedures" that became effective pursuant to Board of Directors Resolution defines the following:

- Risk appetite of the Bank,
- Authorization limits with regard to credit transactions,
- Sector-specific limits,
- Principles of risk analyses to be conducted in relation to the rating systems used in the Bank's lending process and the validation of these systems,
- Treasury operations stop-loss limits for capital markets positions and foreign currency positions, and limits for capital markets and foreign currency and money market transactions,
- Limits on the Bank's foreign exchange position and counterparty risk in transactions with correspondent banks,
- Limits on the Bank's liquidity and structural interest rate risk,
- Limits to contain the impact of interest rate shocks on the Bank's economic value,
- Limits on liquidity ratios pursued in accordance with the Liquidity Emergency Action Plan,

The Bank periodically checks compliance with these limits.

Credit Risk Policy

Objectives of the Bank's credit policies are;

- To create reliable lending standards,
- To monitor the credit relationship accurately and timely,
- To define credit risks and to manage the portfolio,
- To ensure the repayment of credits,

To accomplish the above mentioned objectives, all units of the Bank must comply with the rules and procedures related to the credit policies. Any exception to the credit policies is submitted to the Board of Directors for approval, together with the justifications.

The authority to grant a credit line rests with the Board of Directors. The Board of Directors can delegate this authority to the Credit Committee, Head Office, Regional Coordination Offices and Branches, defining the limits of the delegation.

There are certain report templates specified by the Board of Directors, which help to assess the company or the group in question. These should be used during lending processes. These processes cover both the proposal stage and the credit extension stage. Factors considered at the stage of evaluation include; product type, credit line, maturity and collateral. Credit line limits are specified considering the Bank's strategic objectives, and the historical risk records.

For credits that are extended within the authorization limits of the Regions and Branches, the Head Office is authorized to request additional collateral, in addition to existing margin rates relative to collaterals. Branches monitor credit collateral status continuously, and they take the necessary precautions in case of an impairment in value.

Risk Management Department prepares scenario analyses and stress tests to evaluate the impact of unexpected market conditions on the main business lines.

Risk management policies by risk types and risk management information

Asset Liability and Market Risk Policies

When specifying the Bank's pricing policies and the maturity structure of asset and liability items, the results of liquidity risk analyses are used. Liquidity tables used when measuring the liquidity risk are prepared considering the time remaining for on and off balance sheet items until their maturity.

The Board of Directors is authorized to specify TRY and FX based limits and to update these limits, to be used in Asset Liability Analyses. Liquidity analysis is run daily. Results of these analyses are submitted to the Bank's Senior Management to be used in decision making processes.

When specifying limits, the Bank's size, risk appetite, liquidity facilities, capital adequacy and the Bank's capability to measure and manage risk are considered. Liquidity shortage and surplus are calculated per each maturity date, these are checked against the limits, and reported daily. For treasury business, there are transaction based limits and stop loss limits in place, changing by the title of traders.

In addition to the liquidity analysis carried out by considering the remaining time of asset and liability items until their maturity, structural interest rate risk analyses are also carried out, considering the re-pricing terms of asset and liability items.

Considering the difference of amounts in the asset and liability that will be re-priced, the impact of probable interest rate changes on the Bank's financial statements are measured, using the specified vertexes.

Value at Risk calculation is used as the internal model to measure market risk. All financial instruments included in the model are priced daily.

In addition to standardized scenario analyses and stress tests, customizable stress test results are also presented to the Bank's Senior Management.

Operational Risk Policy

The Bank has created its operational risk policy through a policy document approved by the Board of Directors. This document sets the framework for definition, analysis, measurement, monitoring and Senior Management supervision of operational risk.

Operational Risk Committee examines and assesses operational risk on a single and consolidated basis, and decides on the precautions that should be taken. The Committee ensures that the operational risk loss database is up to date, considering the regulatory and non-regulatory changes, both at the national and international level.

A loss database is created, which also includes data from affiliates. The purposes of this database are; to specify risky business processes and activities, to run frequency/severity analysis of risk levels, to monitor operational risk both on a single and on a consolidated basis, to use loss data as input when applying advanced measurement techniques, to specify the collections made for transactions resulting with operational losses and to specify the sources of these collections, and to monitor the historical change in operational risk.

Operational Risk Management Policy approved by the Board of Directors specifies the operational risk appetite, and the limits to prevent that the Bank's operations exceed this appetite. The Policy also has operational procedures to ensure proper practices with respect to operational risk. Operational risk limits are set in connection with the risk appetite, gross loss amounts and allocated capital. These connections are clearly defined.

Compliance with these limits is monitored, and procedures are reviewed regularly.

Additionally, the Bank works on complying with the Best Practices Guidelines issued by the BRSA, to create policy documents specific to each risk type.

Best Practices Guidelines and Policy Documents Specific to Risk Types

The Bank carries out gap analyses under the scope of each best practice guideline issued by the BRSA, pursuing various activities to comply with regulations.

A major item of these activities is, creating policy documents specific to each risk type. Within this framework, policy documents are being prepared for the management of Credit Risk, Market Risk, Liquidity Risk, Interest Rate Risk, Country Risk, Reputation Risk, Counterparty Credit Risk and Strategic Risk.

Rating notes

Fitch Ratings

Foreign Currency Long Term	B+
Outlook	Negative
Foreign Currency Short Term	B
Local Currency Long Term	BB
Outlook	Negative
Local Currency Short Term	B
National Long Term	AA (tur)
Senior Unsecured Debt Issues	B+
Support	4
Support Rating Floor	B+
Viability Rating	b+

Moody's

Baseline Credit Assessment (BCA)	Caa1
Long Term Deposit Rating Domestic Currency	B2
Short Term Deposit Rating Domestic Currency	Not-Prime
Long Term Deposit Rating Foreign Currency	B2
Short Term Deposit Rating Foreign Currency	Not-Prime
Senior Unsecured Debt Issues	B2
Outlook	Negative

JCR Eurasia

Long Term International Foreign Currency	BBB-(Negative Outlook)
Long Term International Local Currency Rating	BBB-(Negative Outlook)
Long Term National Rating	AAA(Trk)(Stable Outlook)
Short Term International Foreign Currency	A-3(Negative Outlook)
Short Term International Local Currency	A-3(Negative Outlook)
Short Term National Rating	A-1+(Trk)(Stable Outlook)
Sponsored Support	1
Stand-alone	A

5-year summary financial information

ASSETS (TRY million)	2014	2015	2016	2017	2018
Liquid Assets	21,560	25,838	31,660	43,726	40,098
Securities	26,741	27,908	33,216	48,903	74,557
Cash Loans	100,481	125,799	157,178	202,137	250,546
Equity Investments	2,669	2,913	3,146	3,960	4,771
Fixed Assets	1,245	2,542	2,767	3,008	3,645
Other	2,727	2,729	3,474	3,617	4,805
Total Assets	155,423	187,729	231,441	305,351	378,422
LIABILITIES (TRY million)	2014	2015	2016	2017	2018
Deposits	103,708	122,146	150,263	193,227	248,855
Payables to Money Market	8,413	8,410	17,847	34,608	38,162
Credits Obtained	12,630	20,262	18,968	17,018	11,916
Funds	1,769	1,964	2,340	2,725	2,874
Securities Issued	6,172	8,905	12,434	11,355	15,048
Other	6,195	6,619	8,272	21,041	32,546
Shareholder's Equity	16,536	19,424	21,317	25,377	29,021
Net Period Profit/Loss	2,206	2,315	2,558	3,725	2,522
Total Liabilities	155,423	187,729	231,441	305,351	378,422

* Cash loans figure in the table include rediscount loans but exclude net non-performing loans. The corresponding amounts for the previous years were also revised accordingly.

Türkiye Halk Bankası Anonim Şirketi

Unconsolidated Financial Statements as of and for the Year Ended 31 December 2018 with Auditors' Report Thereon

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34485
İstanbul, Türkiye

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010
www.deloitte.com.tr

Mersis No: 0291001097600016
Ticari Sicil No : 304099

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)
INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Türkiye Halk Bankası A.Ş

A) Report on the Audit of the Financial Statements

1) Qualified Opinion

We have audited the financial statements of Türkiye Halk Bankası A.Ş. ("the Bank"), which comprise the balance sheet as at 31 December 2018, and the statement of income, statement of income and expense items accounted for under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters on the unconsolidated financial statements described in the basis for the qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Qualified Opinion

The accompanying unconsolidated financial statements as at 31 December 2018, include a general reserve amounting to TRY 414.000 thousand, provided by the Bank management in the current period for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions. If such general provision was not provided, as at 31 December 2018, other provisions would decrease by TRY 414.000 thousand and net profit would increase by TRY 414.000 thousand.

The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard ("TFRS") 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost amounted to TRY 17.904.805 thousand as at 31 December 2018. If such reclassification were not made, total assets and shareholders' equity excluding tax effect would be lower by TRY 2.597.814 thousand as at 31 December 2018.

We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Emphasis of Matter

We draw attention to the following:

As detailed in Section 6 Note 1, one of the Bank's former directors has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the Bank such as appeal and other legal rights following the first phase of the trial.

The Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank. The Bank is also closely following this trial by hiring external legal counsel resident in the USA.

Separate from this trial, there is an uncertainty of any negative decisions by the USA authorities against the Bank affecting its financial position, if any. The Bank's management indicated that there are no enforcement or other actions against the Bank at this stage. No provision has been made in the accompanying financial statements related to this matter. Our conclusion is not modified in respect of this matter.

4) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<i>Impairment of loans in accordance with TFRS 9</i>	
<p>Impairment of loans is a key area of judgement for the management. The Bank has the total loans and receivables amounting to TRY 250.623.713 thousands, which comprise 66% of the Bank's total assets in its unconsolidated financial statements and the total provision for impairment amounting to TRY 8.450.513 as at 31 December 2018.</p> <p>As of 1 January 2018, the Bank has started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this respect, as of 31 December 2017, the method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note XXIII of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p> <p>The Bank exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.</p>	<p>As part of our audit work, the following procedures were performed:</p> <p>We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p>We have read and analysed the relevant contract terms to assess management's accounting policy and classification of the instrument for selected samples.</p> <p>We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.</p> <p>We have tested relevant inputs and assumption used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p>

Deloitte.

132

Key Audit Matter

There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.

Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.5.

How the matter was addressed in the audit

We have tested historical loss data to validate the completeness and accuracy of key parameters.

We have tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets' exposure periods.

We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.

Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.

Our specialists are involved in all procedures related to models and assumptions.

We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and receivables and related impairment provisions.

First time adaptation of TFRS 9 Financial Instruments Standard

As of 1 January 2018, the Bank started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. TFRS 9 standard introduced significant changes in accounting policies and required adjustments to be made to the amounts previously recognized in accordance with the transition rules.

For the first time adoption of TFRS 9, the Bank included more significant estimates and judgments in determining the business model and the cash flows characteristics of contracts. Since the Bank had a fundamental change in its financial reporting framework and had an impact on many significant financial statement line-items, the first time adoption of TFRS 9 has been considered as a key audit matter.

Explanations on the equity effects of TFRS 9 transition are disclosed in Section 3 Note VI.

Our audit work included the following procedures:

The Bank's IFRS 9 policy of the classification of financial assets and financial liabilities has been read and compared with the requirements of TFRS 9.

The Bank's contractual cash flows tests for its financial instruments have been reviewed, its criteria and results have been evaluated.

The appropriateness of the opening balance adjustments and the disclosures presented were checked.

The procedures applied for the expected credit losses are set out in the key audit matter related to the "Impairment of loans in accordance with TFRS 9" above.

Valuation of Pension Fund Obligations

Defined benefit pension plan that the Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı ("Plan") which were established by the 20th provisional article of the Social Security Law numbered 506 (the "Law").

As disclosed in the Section III Note XVI to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation voucher.

Our audit work included the following procedures:

We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.

It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.

In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank's actuary.

We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.

Key Audit Matter

As of 31 December 2018, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.

As described in Section V Note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this as a key audit matter.

How the matter was addressed in the audit**Information Technologies Audit**

The Bank and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Bank means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.

Procedures within the context of our information technology audit work:

We identified and tested the Banks' controls over information systems as part of our audit procedures.

Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas:

- Manage security
- Manage changes
- Manage operations

We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner.

We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.

Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.

We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.

Finally, we understood and tested the controls over database, network, application and operating system layers of applications.



5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2018 does not comply with the TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of the TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Hasan Kılıç.

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan Kılıç
Partner

İstanbul, 14 February 2019

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No: 4 Ataşehir/İstanbul
2. The Bank's Contact Phone and Facsimile:
Phone : 0216 503 70 70
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr
E-mail Address: halkbank.ir@halkbank.com.tr

The unconsolidated year ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- Section One : GENERAL INFORMATION ABOUT THE BANK
- Section Two : UNCONSOLIDATED FINANCIAL STATEMENTS
- Section Three : EXPLANATIONS ON ACCOUNTING POLICIES
- Section Four : INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- Section Five : EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- Section Six : OTHER EXPLANATIONS
- Section Seven : AUDITORS' REPORT

The unconsolidated financial statements for the year ended 31 December 2018 and related disclosures and footnotes that are subject to audit and are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira.
Istanbul, 14 February 2019

R. Süleyman Özdi	Sadık Tiltak	Ahmet Yarız	Osman Arslan	Yusuf Duran Ocak	Osman Bektaş
Chairman of the Board of Directors	Independent Member of the Board of Directors, Chairman of the Audit Committee	Independent Member of the Board of Directors, Member of the Audit Committee	Member of the Board of Directors, Chief Executive Officer	Financial Management and Planning Vice Chief Executive Officer	Financial Accounting Department Head

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Arman Acar / Director
Tel/ Fax No : 0216 503 57 59/0212 340 09 90

Page No

SECTION ONE**General Information About the Bank**

I.	Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles	138
II.	Capital Structure of the Bank, Shareholders That Retain Direct or Indirect Control and Management of the Bank, Solely or Together, Changes About These Issues During the Year and Disclosures About The Group	138
III.	Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Bank, if any	139
IV.	Information About the Persons and Institutions that Have Qualified Shares Attributable to the Bank	140
V.	Explanations on the Bank's Functions and Lines of Activity	140
VI.	Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods	142
VII.	The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Bank and Its Subsidiaries or the Reimbursement of Liabilities	142

SECTION TWO**Unconsolidated Financial Statements**

I.	Balance Sheet (Statement of Financial Position)	144
II.	Statement of Off-Balance Sheet Items	148
III.	Statement of Income	150
IV.	Statement of Income and Expense Items Accounted under Shareholders' Equity	152
V.	Statement of Changes in Shareholders' Equity	154
VI.	Statement of Cash Flows	156
VII.	Statement of Profit Distribution	158

SECTION THREE**Explanations on Accounting Policies**

I.	Explanations on Basis of Presentation	160
II.	Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	162
III.	Explanations on Forward and Option Contracts and Derivative Products	162
IV.	Explanations on Interest Income and Expenses	163
V.	Explanations on Fee and Commission Income and Expenses	163
VI.	Explanations on Financial Assets	163
VII.	Explanations on Impairment of Financial Assets	168
VIII.	Explanations on Offsetting Financial Instruments	171
IX.	Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	171
X.	Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	171
XI.	Explanations on Goodwill and Other Intangible Assets	171
XII.	Explanations on Property, Plant and Equipment	172
XIII.	Explanations on Investment Properties	173
XIV.	Explanations on Leasing Transactions	173
XV.	Explanations on Provisions and Contingent Liabilities	173
XVI.	Explanations on Employee Benefit Liabilities	173
XVII.	Explanations on Taxation	174
XVIII.	Additional Explanations on Borrowings	176
XIX.	Explanations on Shares Issued	176
XX.	Explanations on Bill Guarantees and Acceptances	176
XXI.	Explanations on Government Incentives	176
XXII.	Explanations on Segment Reporting	176
XXIII.	Explanations on Prior Period Accounting Policies Not Valid for the Current Period	176
XXIV.	Explanations on Other Matters	179

SECTION FOUR**Information Related to Financial Position and Risk Management of the Bank**

I.	Explanations on Capital	180
II.	Explanations on Credit Risk	187
III.	Explanations on Currency Risk	199
IV.	Explanations on Interest Rate Risk	201
V.	Explanations on Position Risk of Shares	206
VI.	Explanations on Liquidity Risk Management and Liquidity Coverage Ratio	207
VII.	Explanations on Leverage Ratio	213
VIII.	Explanations on Business Segmentation	214
IX.	Explanations on Presentation of Financial Assets and Liabilities at Fair Value	217
X.	Explanations on Transactions Made on Behalf of Others and Transactions Based on Trust	220
XI.	Explanations on Risk Management and Risk Weighted Amounts	220
XII.	Explanations on Remuneration Policies	233

SECTION FIVE**Explanations and Notes Related to the Unconsolidated Financial Statements**

I.	Explanation and Notes Related to the Assets	235
II.	Explanation and Notes Related to the Liabilities	262
III.	Explanation and Notes Related to the Off-Balance Sheet Items	275
IV.	Explanation and Notes Related to the Income Statement	279
V.	Explanations and Notes Related to the Statement of Changes in Shareholders' Equity	287
VI.	Explanations and Notes Related to the Cash Flow Statements	287
VII.	Explanations Related to the Risk Group of the Bank	289
VIII.	Explanations on the Banks' Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	291
IX.	Explanation Related to the Subsequent Events	292

SECTION SIX**Other Explanations**

I.	Other Explanations	292
----	--------------------	-----

SECTION SEVEN**Auditors' Report**

I.	Explanations on the Auditor's Report	292
II.	Explanations and Notes Prepared by the Auditors	292

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK

I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE BANK INCLUDING THE CHANGES OF THESE ARTICLES

Türkiye Halk Bankası Anonim Şirketi (the "Bank" or "Halkbank") began its operations in accordance with the law no: 2284 in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Bank is controlled directly by the Türkiye Varlık Fonu.

As of 31 December 2018 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2018	%	31 December 2017	%
Türkiye Varlık Fonu ⁽¹⁾	638.276	51,06	638.276	51,06
Public shares ⁽¹⁾	611.641	48,93	611.640	48,93
Other shareholders ⁽²⁾	83	0,01	84	0,01
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ The shares of the Türkiye Varlık Fonu amounting to TRY 550 have been included in Public shares. With these shares, the total shares amounting TRY 638.826 held by the Türkiye Varlık Fonu is 51,11% of the total shares.

⁽²⁾ TRY 81 of the shares included in the "Other Shareholders" group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

In accordance with the Law No: 6327 dated 13 June 2012 and 3rd sub-article added to the Article 2 of the Law No: 4603, as per the Turkish Commercial Code, the Public shares will be controlled and represented by the Minister the Bank is reporting to, until the sale procedures of the public shares are completed.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY ⁽¹⁾

Name	Title
R. Süleyman ÖZDİL	Chairman of the Board of Directors
Himmet KARADAĞ	Vice Chairman of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Meltem TAYLAN AYDIN	Member of the Board of Directors
Mehmet Nihat ÖMEROĞLU	Independent Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Sadık TILTAK	Independent Member of the Board of Director, Chairman of the Audit Committee
Ahmet YARIZ	Independent Member of the Board of Directors, Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
Mehmet Akif AYDEMİR	Executive Vice President, Loan Allocation and Management
Mehmet Sebahattin BULUT	Executive Vice President, Loan Policies, Risk Monitoring and Legal
Mustafa ÇÖDEK	Executive Vice President, Retail Banking
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Metin KÖSTEK	Executive Vice President, Internal Systems
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Selahattin SÜLEYMANOĞLU	Executive Vice President, Human Resources and Support Management
Hasan TUNCAY	Executive Vice President, Corporate and Commercial Marketing

⁽¹⁾ People mentioned above do not own any shares in the Bank's capital.

a) The Bank's top management members who have assigned to their position in 2018 are listed with titles and dates of assignment.

Title	Name	Starting Date
Vice Chairman of the Board of Directors	Himmet KARADAĞ	13 August 2018
Independent Member of the Board of Directors	Ahmet YARIZ	13 August 2018
Member of the Board of Directors	Fatih METİN	7 November 2018

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) The Bank's top management members who have left their position in 2018 are listed with titles and dates of leaving.

Title	Name	Leaving Date
Executive Vice President	Mehmet Hakan ATILLA	2 June 2018
Member of the Board of Directors	Yunus KARAN	13 August 2018
Member of the Board of Directors	Yahya BAYRAKTAR	13 August 2018
Executive Vice President	Levend TORUSDAĞ	19 October 2018
Executive Vice President	Hakan ERYILMAZ	23 October 2018
Member of the Board of Directors	Cenap AŞCI	6 November 2018
Member of the Board of Directors	Fatih METİN	30 November 2018

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Except for the Türkiye Varlık Fonu, no person or institute has any qualified shares attributable to the Bank.

V. EXPLANATIONS ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi began its operations in 1938 in accordance with the Law No: 2284 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Bank received government bonds in settlement of the accumulated specific duty losses and the Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were going to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term "3 years" in Article 2.2 of Law numbered 4603 was previously amended to "5 years" and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to "10 years". As a result of these amendments, the privatization period of the Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended the half of that "10 years" period as published in the Official Gazette by the Decree numbered 2010/964 and dated 6 November 2010.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. 13th Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization's decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

141

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as published in the Official Gazette numbered 25539 dated 31 July 2004, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler limited partnership and more than 500 shareholders. Pamukbank started its private banking operations as an incorporation in accordance with the decision of the Council of Ministers numbered 4/4573 dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 dated 19 June 2002 including 3rd and 4th Sub-articles in the Article 14 of the Banking Law No: 4389, the shareholders rights, excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

e) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2018, the Bank operates with a total of 994 branches consisting of 988 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 47 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

Due to the differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. AŞ, is not accounted for under consolidation principles in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standards, Bileşim Alternatif Dağ. Kan. AŞ is included in the scope of consolidation by-line method.

The Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka A.D. Skopje, Halk Faktoring AŞ, Halkbank A.D. Beograd and Halk Varlık Kiralama A.Ş. are included in the scope of consolidation by line-by-line method.

Demir-Halkbank NV ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Turk P ve I Sigorta A.Ş which are qualified as investments in associates, are included in the financial statements based on equity method of accounting.

There is no investment in shares of banks and financial institutions, with shareholding of more than 10% as deducted from capital.

Since all banks has the same equal shareholding, Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements and thus, the Bank has no control over these entities.

VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediate transfer of the equity between the Bank and its subsidiaries is not in question. Dividend distribution from equity is made according to the related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements entered into between the Bank and its subsidiaries.

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Items
- III. Statement of Income
- IV. Statement of Income and Expense Items Accounted for under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Statement of Profit Distribution

Türkiye Halk Bankası A.Ş.

Unconsolidated Balance Sheet

as of 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Audited Current Period 31 December 2018		
		TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		66.292.103	49.401.927	115.694.030
1.1 Cash and Cash Equivalents		4.163.791	35.934.002	40.097.793
1.1.1 Cash and Balances with Central Bank	(1)	3.982.876	30.974.174	34.957.050
1.1.2 Banks	(3)	180.915	4.959.828	5.140.743
1.1.3 Money Markets		-	-	-
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	14.475.244	21.455	14.496.699
1.2.1 Government Debt Securities		14.409.039	21.455	14.430.494
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		66.205	-	66.205
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	2.564.581	1.422.613	3.987.194
1.3.1 Government Debt Securities		2.389.866	1.339.997	3.729.863
1.3.2 Equity Instruments		58.724	82.616	141.340
1.3.3 Other Financial Assets		115.991	-	115.991
1.4 Financial Assets Measured at Amortised Cost	(6)	45.110.667	10.962.386	56.073.053
1.4.1 Government Debt Securities		45.060.153	10.962.386	56.022.539
1.4.2 Other Financial Assets		50.514	-	50.514
1.5 Derivative Financial Assets	(2)	9	1.061.471	1.061.480
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		9	1.061.471	1.061.480
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non - Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		22.189	-	22.189
II. LOANS (Net)		165.649.382	84.974.331	250.623.713
2.1 Loans	(5)	165.572.047	84.974.331	250.546.378
2.1.1 Measured at Amortised Cost		165.572.047	84.974.331	250.546.378
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(10)	-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortised Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non- Performing Loans	(5)	8.527.848	-	8.527.848
2.5 Expected Credit Loss (-)	(5)	8.450.513	-	8.450.513
2.5.1 12 Month Expected Credit Losses (Stage I)		984.741	-	984.741
2.5.2 Significant Increase in Credit Risk (Stage II)		1.182.480	-	1.182.480
2.5.3 Credit - Impaired Losses (Stage III / Special Provision)		6.283.292	-	6.283.292
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(16)	39.377	-	39.377
3.1 Held for Sale Purpose		39.377	-	39.377
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		3.367.602	1.403.197	4.770.799
4.1 Investments in Associates (Net)	(7)	22.490	415.828	438.318
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		22.490	415.828	438.318
4.2 Subsidiaries (Net)	(8)	3.345.112	987.369	4.332.481
4.2.1 Unconsolidated Financial Subsidiaries		3.287.966	987.369	4.275.335
4.2.2 Unconsolidated Non- Financial Subsidiaries		57.146	-	57.146
4.3 Joint Ventures (Net)	(9)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(12)	3.147.814	100	3.147.914
VI. INTANGIBLE ASSETS (Net)	(13)	140.250	-	140.250
6.1 Goodwill		-	-	-
6.2 Other		140.250	-	140.250
VII. INVESTMENT PROPERTIES (Net)	(14)	356.848	-	356.848
VIII. CURRENT TAX ASSET		6.042	-	6.042
IX. DEFERRED TAX ASSET	(15)	-	-	-
X. OTHER ASSETS	(17)	2.742.059	901.023	3.643.082
TOTAL ASSETS		241.741.477	136.680.578	378.422.055

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Balance Sheet

as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

			Audited Prior period 31 December 2017	
ASSETS	Note	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	12.917.312	23.455.727	36.373.039
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	10.085.889	362.017	10.447.906
2.1 Trading financial assets		10.085.889	362.017	10.447.906
2.1.1 Public sector debt securities		10.075.407	-	10.075.407
2.1.2 Share certificates		-	-	-
2.1.3 Financial assets held for trading		118	361.803	361.921
2.1.4 Other marketable securities		10.364	214	10.578
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
III. BANKS	(3)	580.518	5.513.422	6.093.940
IV. MONEY MARKET PLACEMENTS		1.258.647	-	1.258.647
4.1 Interbank money market placements		1.258.647	-	1.258.647
4.2 Takasbank (Clearing & Settlement Bank) Money Market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	11.474.374	5.615.175	17.089.549
5.1 Share certificates		71.715	52.091	123.806
5.2 Public sector debt securities		11.402.659	5.563.084	16.965.743
5.3 Other marketable securities		-	-	-
VI. LOANS AND RECEIVABLES	(5)	139.676.930	63.787.547	203.464.477
6.1 Loans and receivables		138.349.605	63.787.547	202.137.152
6.1.1 Loans extended to risk group of the Bank		50.196	916.965	967.161
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		138.299.409	62.870.582	201.169.991
6.2 Loans under follow-up		6.106.597	-	6.106.597
6.3 Specific provisions (-)		4.779.272	-	4.779.272
VII. FACTORING RECEIVABLES		-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	19.214.233	2.512.936	21.727.169
8.1 Public sector debt securities		19.214.233	2.512.936	21.727.169
8.2 Other marketable securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	19.083	313.709	332.792
9.1 Accounted for under equity method		-	-	-
9.2 Unconsolidated associates		19.083	313.709	332.792
9.2.1 Financial investments		12.763	313.709	326.472
9.2.2 Non-financial investments		6.320	-	6.320
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	3.089.737	536.971	3.626.708
10.1 Unconsolidated financial subsidiaries		3.037.559	536.971	3.574.530
10.2 Unconsolidated non-financial subsidiaries		52.178	-	52.178
XI. JOINT VENTURES (Net)	(9)	-	-	-
11.1 Accounted for under equity method		-	-	-
11.2 Unconsolidated joint ventures		-	-	-
11.2.1 Financial joint ventures		-	-	-
11.2.2 Non-financial joint ventures		-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-
12.1 Finance lease receivables		-	-	-
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		-	-	-
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-
13.1 Fair value risk hedging		-	-	-
13.2 Cash flow risk hedging		-	-	-
13.3 Net foreign investment risk hedging		-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	2.535.687	92	2.535.779
XV. INTANGIBLE ASSETS (Net)	(13)	113.685	-	113.685
15.1 Goodwill		-	-	-
15.2 Other		113.685	-	113.685
XVI. INVESTMENT PROPERTIES (Net)	(14)	358.574	-	358.574
XVII. TAX ASSETS	(15)	-	-	-
17.1 Current tax assets		-	-	-
17.2 Deferred tax assets		-	-	-
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	-	-	-
18.1 Held for sale purpose		-	-	-
18.2 Held from discontinued operations		-	-	-
XIX. OTHER ASSETS	(17)	1.698.762	229.621	1.928.383
TOTAL ASSETS		203.023.431	102.327.217	305.350.648

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.*Unconsolidated Balance Sheet**as of 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Audited Current Period 31 December 2018		
		TRY	FC	TOTAL
I. DEPOSITS	(1)	140.018.439	108.836.815	248.855.254
II. FUNDS BORROWED	(3)	372.398	11.543.629	11.916.027
III. MONEY MARKETS		32.759.788	5.402.273	38.162.061
IV. SECURITIES ISSUED (Net)	(4)	3.023.139	12.024.839	15.047.978
4.1 Bills		2.011.697	-	2.011.697
4.2 Assets Backed Securities		1.011.442	-	1.011.442
4.3 Bonds		-	12.024.839	12.024.839
V. FUNDS	(5)	2.874.121	-	2.874.121
5.1 Borrower Funds		42	-	42
5.2 Other		2.874.079	-	2.874.079
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL ASSETS	(2)	16	410.422	410.438
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		16	410.422	410.438
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES	(7)	-	-	-
9.1 Financial Lease		-	-	-
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	(9)	1.853.914	-	1.853.914
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		887.228	-	887.228
10.3 Insurance for Technical Provision(Net)		-	-	-
10.4 Other Provisions		966.686	-	966.686
XI. CURRENT TAX LIABILITY	(10)	669.903	106	670.009
XII. DEFERRED TAX LIABILITIES	(10)	452.769	-	452.769
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	6.182.084	-	6.182.084
14.1 Loans		-	-	-
14.2 Other Debt Instruments		6.182.084	-	6.182.084
XV. OTHER LIABILITIES	(6)	22.085.654	891.011	22.976.665
XVI. SHAREHOLDERS' EQUITY	(13)	28.896.436	124.299	29.020.735
16.1 Paid in Capital		1.250.000	-	1.250.000
16.2 Capital Reserve		1.230.674	-	1.230.674
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		1.230.674	-	1.230.674
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1.334.345	-	1.334.345
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1.379.793	124.299	1.504.092
16.5 Profit Reserves		20.475.295	-	20.475.295
16.5.1 Legal Reserves		1.864.266	-	1.864.266
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		18.563.848	-	18.563.848
16.5.4 Other Profit Reserves		47.181	-	47.181
16.6 Income or (Loss)		3.226.329	-	3.226.329
16.6.1 Prior Periods' Income or (Loss)		704.534	-	704.534
16.6.2 Current Period Income or (Loss)		2.521.795	-	2.521.795
16.7 Minority Shares		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		239.188.661	139.233.394	378.422.055

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Balance Sheet

as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

			Audited Prior period 31 December 2017	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	TRY	FC	Total
I. DEPOSITS	(1)	119.197.840	74.029.229	193.227.069
1.1 Deposits Held by the Risk Group of the Bank		2.659.529	197.697	2.857.226
1.2 Other		116.538.311	73.831.532	190.369.843
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	146	150.376	150.522
III. FUNDS BORROWED	(3)	465.026	16.553.092	17.018.118
IV. MONEY MARKET BALANCES		29.220.222	5.387.762	34.607.984
4.1 Interbank money market borrowings		29.030.813	1.247.014	30.277.827
4.2 Takasbank (Clearing & Settlement Bank) Money Market takings		-	-	-
4.3 Funds from repurchase agreements		189.409	4.140.748	4.330.157
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	2.713.759	8.640.905	11.354.664
5.1 Treasury bills		2.713.759	-	2.713.759
5.2 Asset-backed securities		-	-	-
5.3 Bonds		-	8.640.905	8.640.905
VI. FUNDS	(5)	2.724.634	-	2.724.634
6.1 Borrower Funds		860	-	860
6.2 Other		2.723.774	-	2.723.774
VII. SUNDRY CREDITORS		3.443.523	113.823	3.557.346
VIII. OTHER LIABILITIES	(6)	11.206.526	474.486	11.681.012
IX. FACTORING PAYABLES		-	-	-
X. FINANCE LEASE PAYABLES	(7)	-	-	-
10.1 Finance lease payables		-	-	-
10.2 Operating lease payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-
11.1 Fair value risk hedging		-	-	-
11.2 Cash flow risk hedging		-	-	-
11.3 Net foreign investment risk hedging		-	-	-
XII. PROVISIONS	(9)	3.443.318	5.642	3.448.960
12.1 General loan provisions		2.288.701	-	2.288.701
12.2 Restructuring provisions		-	-	-
12.3 Employee benefits provisions		836.092	-	836.092
12.4 Insurance technical reserves (Net)		-	-	-
12.5 Other provisions		318.525	5.642	324.167
XIII. TAX LIABILITIES	(10)	1.199.173	42	1.199.215
13.1 Current tax liabilities		628.765	42	628.807
13.2 Deferred tax liabilities		570.408	-	570.408
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
14.1 Held for sale purpose		-	-	-
14.2 Held from discontinued operations		-	-	-
XV. SUBORDINATED LOAN	(12)	1.004.385	-	1.004.385
XVI. SHAREHOLDERS' EQUITY	(13)	25.317.394	59.345	25.376.739
16.1 Paid-in capital		1.250.000	-	1.250.000
16.2 Capital reserves		3.405.825	59.345	3.465.170
16.2.1 Share Premium		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities revaluation fund		966.184	59.345	1.025.529
16.2.4 Tangible assets revaluation reserves		1.273.315	-	1.273.315
16.2.5 Intangible assets revaluation reserves		-	-	-
16.2.6 Revaluation reserves of investment properties		-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		8.711	-	8.711
16.2.8 Hedging Funds (effective portion)		-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-
16.2.10 Other capital reserves		1.157.615	-	1.157.615
16.3 Profit reserves		16.936.107	-	16.936.107
16.3.1 Legal reserves		1.645.649	-	1.645.649
16.3.2 Statutory reserves		-	-	-
16.3.3 Extraordinary reserves		15.243.277	-	15.243.277
16.3.4 Other profit reserves		47.181	-	47.181
16.4 Profit/Loss		3.725.462	-	3.725.462
16.4.1 Prior years' profits/losses		-	-	-
16.4.2 Period profit/loss		3.725.462	-	3.725.462
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		199.935.946	105.414.702	305.350.648

147

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Off-Balance Sheet Items as of 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. STATEMENT OF OFF BALANCE SHEET ITEMS

			Audited Current Period 31 December 2018		
OFF BALANCE SHEET		Note	TRY	FC	TOTAL
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)		70.717.925	86.627.054	157.344.979
I.	GUARANTEES AND WARRANTIES	(1)	37.167.935	45.871.890	83.039.825
1.1	Letters of guarantee		35.165.366	35.686.852	70.852.218
1.1.1	Guarantees subject to public procurement law		1.982.722	12.444.947	14.427.669
1.1.2	Guarantees given for foreign trade operations		-	-	-
1.1.3	Other letters of guarantee		33.182.644	23.241.905	56.424.549
1.2	Bank loans		11.845	7.038.415	7.050.260
1.2.1	Import acceptances		-	94.572	94.572
1.2.2	Other bank acceptances		11.845	6.943.843	6.955.688
1.3	Letters of credit		119.895	3.016.499	3.136.394
1.3.1	Documentary letters of credit		119.895	3.016.499	3.136.394
1.3.2	Other letters of credit		-	-	-
1.4	Guaranteed refinancing		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to Central Bank of the Republic of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Purchase guarantees on marketable security issuance		-	-	-
1.7	Factoring guarantees		-	-	-
1.8	Other guarantees		1.870.829	130.124	2.000.953
1.9	Other sureties		-	-	-
II.	COMMITMENTS	(1)	24.243.824	1.853.816	26.097.640
2.1	Irrevocable commitments		24.091.686	1.680.920	25.772.606
2.1.1	Forward asset purchase commitments		807.737	1.228.932	2.036.669
2.1.2	Forward deposit purchase and sale commitments		-	-	-
2.1.3	Capital commitments to subsidiaries and associates		-	-	-
2.1.4	Loan granting commitments		4.159.896	451.988	4.611.884
2.1.5	Securities underwriting commitments		-	-	-
2.1.6	Payment commitments for reserve deposits		-	-	-
2.1.7	Payment commitments for Cheques		2.661.413	-	2.661.413
2.1.8	Tax and fund liabilities from export commitments		65.280	-	65.280
2.1.9	Commitments for credit card expenditure limits		12.674.648	-	12.674.648
2.1.10	Commitments for credit cards and banking services promotions		31.409	-	31.409
2.1.11	Receivables from short sale commitments		-	-	-
2.1.12	Payables for short sale commitments		-	-	-
2.1.13	Other irrevocable commitments		3.691.303	-	3.691.303
2.2	Revocable commitments		152.138	172.896	325.034
2.2.1	Revocable loan granting commitments		-	-	-
2.2.2	Other revocable commitments		152.138	172.896	325.034
III.	DERIVATIVE FINANCIAL INSTRUMENTS		9.306.166	38.901.348	48.207.514
3.1	Derivative financial instruments held for risk management		-	-	-
3.1.1	Fair value risk hedging transactions		-	-	-
3.1.2	Cash flow risk hedging transactions		-	-	-
3.1.3	Net foreign investment risk hedging transactions		-	-	-
3.2	Transactions for trading		9.306.166	38.901.348	48.207.514
3.2.1	Forward foreign currency buy/sell transactions		1.806.188	5.243.125	7.049.313
3.2.1.1	Forward foreign currency transactions-buy		1.553.375	3.068.338	4.621.713
3.2.1.2	Forward foreign currency transactions-sell		252.813	2.174.787	2.427.600
3.2.2	Currency and interest rate swaps		5.202.187	27.857.299	33.059.486
3.2.2.1	Currency swap-buy		1.012.983	6.973.576	7.986.559
3.2.2.2	Currency swap-sell		4.189.204	3.490.839	7.680.043
3.2.2.3	Interest rate swap-buy		-	8.696.442	8.696.442
3.2.2.4	Interest Rate swap-sell		-	8.696.442	8.696.442
3.2.3	Currency, interest rate and marketable securities options		2.297.791	3.561.455	5.859.246
3.2.3.1	Currency call options		1.148.905	1.780.728	2.929.633
3.2.3.2	Currency put options		1.148.886	1.780.727	2.929.613
3.2.3.3	Interest rate call options		-	-	-
3.2.3.4	Interest rate put options		-	-	-
3.2.3.5	Marketable securities call options		-	-	-
3.2.3.6	Marketable securities put options		-	-	-
3.2.4	Currency futures		-	-	-
3.2.4.1	Currency futures-buy		-	-	-
3.2.4.2	Currency futures-sell		-	-	-
3.2.5	Interest rate buy/sell futures		-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-
3.2.6	Other		-	2.239.469	2.239.469
B.	CUSTODY AND PLEDGED ASSETS (IV+V+VI)		954.219.496	310.868.814	1.265.088.310
IV.	CUSTODIES		432.711.289	42.627.039	475.338.328
4.1	Assets under management		-	-	-
4.2	Custody marketable securities		161.920.322	1.017.194	162.937.516
4.3	Cheques in collection process		15.226.267	26.439.655	41.665.922
4.4	Commercial notes in collection process		239.240.554	5.575.684	244.816.238
4.5	Other assets in collection process		-	-	-
4.6	Underwritten securities		-	-	-
4.7	Other custodies		4.280.917	486.438	4.767.355
4.8	Custodians		12.043.229	9.108.068	21.151.297
V.	PLEDGED ASSETS		521.508.207	268.241.775	789.749.982
5.1	Marketable securities		5.608.542	733.250	6.341.792
5.2	Collateral notes		7.595.289	1.024.377	8.619.666
5.3	Commodity		25.812	-	25.812
5.4	Warranty		-	-	-
5.5	Land and buildings		384.287.726	224.420.837	608.708.563
5.6	Other pledged assets		76.477.704	39.614.525	116.092.229
5.7	Pledges		47.513.134	2.448.786	49.961.920
VI.	ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			1.024.937.421	397.495.868	1.422.433.289

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Off-Balance Sheet Items as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. STATEMENT OF OFF BALANCE SHEET ITEMS

	Note	TRY	Audited Prior period 31 December 2017	Total
			FC	
OFF BALANCE SHEET				
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		55.925.500	57.445.133	113.370.633
I. GUARANTEES AND SURETIES	(1)	28.221.975	30.312.673	58.534.648
1.1 Letters of guarantee		27.015.807	22.385.059	49.400.866
1.1.1 Guarantees subject to public procurement law		1.522.672	10.045.779	11.568.451
1.1.2 Guarantees given for foreign trade operations		-	-	-
1.1.3 Other letters of guarantee		25.493.135	12.339.280	37.832.415
1.2 Bank loans		16.829	3.676.678	3.693.507
1.2.1 Import acceptances		-	226.526	226.526
1.2.2 Other bank acceptances		16.829	3.450.152	3.466.981
1.3 Letters of credit		47.204	4.086.827	4.134.031
1.3.1 Documentary letters of credit		47.204	4.086.827	4.134.031
1.3.2 Other letters of credit		-	-	-
1.4 Guaranteed refinancing		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-
1.7 Factoring guarantees		-	-	-
1.8 Other guarantees		1.142.135	164.109	1.306.244
1.9 Other sureties		-	-	-
II. COMMITMENTS	(1)	22.879.077	1.116.617	23.995.694
2.1 Irrevocable commitments		22.879.077	1.116.617	23.995.694
2.1.1 Forward asset purchase commitments		248.484	661.967	910.451
2.1.2 Forward deposit purchase and sale commitments		-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-
2.1.4 Loan granting commitments		4.191.402	454.650	4.646.052
2.1.5 Securities underwriting commitments		-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-
2.1.7 Payment commitments for Cheques		3.269.281	-	3.269.281
2.1.8 Tax and fund liabilities from export commitments		38.072	-	38.072
2.1.9 Commitments for credit card expenditure limits		11.562.109	-	11.562.109
2.1.10 Commitments for credit cards and banking services promotions		32.736	-	32.736
2.1.11 Receivables from short sale commitments		-	-	-
2.1.12 Payables for short sale commitments		-	-	-
2.1.13 Other irrevocable commitments		3.536.993	-	3.536.993
2.2 Revocable commitments		-	-	-
2.2.1 Revocable loan granting commitments		-	-	-
2.2.2 Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		4.824.448	26.015.843	30.840.291
3.1 Derivative financial instruments held for risk management		-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-
3.2 Transactions for trading		4.824.448	26.015.843	30.840.291
3.2.1 Forward foreign currency buy/sell transactions		2.711.564	6.375.770	9.087.334
3.2.1.1 Forward foreign currency transactions-buy		1.360.216	4.499.292	5.859.508
3.2.1.2 Forward foreign currency transactions-sell		1.351.348	1.876.478	3.227.826
3.2.2 Currency and interest rate swaps		1.322.806	15.819.312	17.142.118
3.2.2.1 Currency swap-buy		387.590	2.821.721	3.209.311
3.2.2.2 Currency swap-sell		935.216	2.110.829	3.046.045
3.2.3 Interest rate swap-buy		-	5.443.381	5.443.381
3.2.4 Interest rate swap-sell		-	5.443.381	5.443.381
3.2.5 Currency, interest rate and marketable securities options		790.078	1.090.343	1.880.421
3.2.3.1 Currency call options		394.932	545.279	940.211
3.2.3.2 Currency put options		395.146	545.064	940.210
3.2.3.3 Interest rate call options		-	-	-
3.2.3.4 Interest rate put options		-	-	-
3.2.3.5 Marketable securities call options		-	-	-
3.2.3.6 Marketable securities put options		-	-	-
3.2.4 Currency futures		-	-	-
3.2.4.1 Currency futures-buy		-	-	-
3.2.4.2 Currency futures-sell		-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-
3.2.6 Other		-	2.730.418	2.730.418
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		832.644.477	205.106.195	1.037.750.672
IV. CUSTODIES		392.094.904	29.257.887	421.352.791
4.1 Assets under management		-	-	-
4.2 Custody marketable securities		175.762.416	518.467	176.280.883
4.3 Cheques in collection process		14.977.312	22.698.848	37.676.160
4.4 Commercial notes in collection process		193.731.159	490.671	194.221.830
4.5 Other assets in collection process		-	-	-
4.6 Underwritten securities		-	-	-
4.7 Other custodies		4.135.360	127.221	4.262.581
4.8 Custodians		3.488.657	5.422.680	8.911.337
V. PLEDGED ASSETS		440.549.573	175.848.308	616.397.881
5.1 Marketable securities		4.362.027	526.294	4.888.321
5.2 Collateral notes		7.255.638	812.632	8.068.270
5.3 Commodity		25.813	-	25.813
5.4 Warranty		-	-	-
5.5 Land and buildings		324.019.382	148.254.846	472.274.228
5.6 Other pledged assets		67.073.372	23.900.616	90.973.988
5.7 Pledges		37.813.341	2.353.920	40.167.261
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		888.569.977	262.551.328	1.151.121.305

149

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Income

as of 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF INCOME

		Audited Current Period 1 January- 31 December 2018
INCOME AND EXPENSES	Note	
I. INTEREST INCOME	(1)	36.670.838
1.1 Interest on Loans		28.811.827
1.2 Interest on Reserve Requirements		96.272
1.3 Interest on Banks		630.175
1.4 Interest on Money Market Transactions		57.377
1.5 Interest on Marketable Securities Portfolio		7.044.654
1.5.1 Fair Value Through Profit or Loss		15.305
1.5.2 Fair Value Through Other Comprehensive Income		288.106
1.5.3 Measured at Amortized Cost		6.741.243
1.6 Financial Lease Income		-
1.7 Other Interest Income		30.533
II. INTEREST EXPENSE (-)	(2)	28.591.260
2.1 Interest on Deposits		20.719.577
2.2 Interest on Funds Borrowed		462.119
2.3 Interest Expense on Money Market Transactions		5.695.982
2.4 Interest on Securities Issued		1.463.544
2.5 Other Interest Expense		250.038
III. NET INTEREST INCOME (I - II)		8.079.578
IV. NET FEES AND COMMISSIONS INCOME		1.949.657
4.1 Fees and Commissions Received		2.725.776
4.1.1 Non – cash Loans		617.730
4.1.2 Other		2.108.046
4.2 Fees and Commissions Paid (-)		776.119
4.2.1 Non – cash Loans		125
4.2.2 Other		775.994
V. PERSONNEL EXPENSE (-)		(2.393.536)
VI. DIVIDEND INCOME	(3)	510.357
VII. TRADING INCOME / LOSS (Net)	(4)	149.255
7.1 Trading Gains / (Losses) on Securities		29.870
7.2 Gains / (Losses) on Derivate Financial Transactions		1.934.763
7.3 Foreign Exchange Gains / (Losses)		(1.815.378)
VIII. OTHER OPERATING INCOME	(5)	624.474
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		8.919.785
X. EXPECTED LOSS PROVISIONS (-)	(6)	3.135.073
XI. OTHER OPERATING EXPENSES (-)	(7)	3.066.894
XII. NET OPERATING INCOME / LOSS (IX-X-XI)		2.717.818
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIV. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XV. INCOME / (LOSS) ON NET MONETARY POSITION		-
XVI. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	2.717.818
XVII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(196.023)
17.1 Current Tax Provision		9.840
17.2 Deferred Tax Income Effect (+)		1.144.825
17.3 Deferred Tax Expense Effect (-)		958.642
XVIII. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	2.521.795
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income from non- Current Assets Held for Sale		-
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3 Income from Other Discontinued Operations		-
XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-
20.1 Expenses for Non-current Assets Held for Sale		-
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
20.3 Expenses for Other Discontinued Operations		-
XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)	(8)	-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(9)	-
22.1 Current Tax Provision		-
22.2 Deferred Tax Expense Effect (+)		-
22.3 Deferred Tax Income Effect (-)		-
XXIII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XXI±XXII)	(10)	-
XXIV. NET PROFIT/(LOSS) (XVIII+XXIII)	(11)	2.521.795
24.1 Profit / (Loss) of Group		2.521.795
24.2 Profit / (Loss) of Minority Shares (-)		-
Profit / (Loss) Per Share		2,017436

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Income

as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF INCOME

	Note	Audited Prior period 1 January- 31 December 2017
INCOME AND EXPENSES		
I. INTEREST INCOME	(1)	23.093.994
1.1 Interest on loans		18.959.501
1.2 Interest received from reserve deposits		131.500
1.3 Interest received from banks		227.093
1.4 Interest received from money market placements		56.316
1.5 Interest income on marketable securities		3.702.972
1.5.1 Financial assets held for trading		1.114
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Financial assets available-for-sale		1.541.940
1.5.4 Investments held-to-maturity		2.159.918
1.6 Finance lease income		-
1.7 Other interest income		16.612
II. INTEREST EXPENSE	(2)	15.293.393
2.1 Interest on deposits		11.339.797
2.2 Interest on borrowings		380.803
2.3 Interest on money market borrowings		2.667.803
2.4 Interest on bonds issued		789.909
2.5 Other interest expense		115.081
III. NET INTEREST INCOME [I – II]		7.800.601
IV. NET FEES AND COMMISSIONS INCOME		2.027.308
4.1 Fees and commissions income		2.484.914
4.1.1 Non-cash loans		401.146
4.1.2 Other		2.083.768
4.2 Fees and commissions expenses		457.606
4.2.1 Non-cash loans		44
4.2.2 Other		457.562
V. DIVIDEND INCOME	(3)	267.214
VI. NET TRADING PROFIT (NET)	(4)	35.869
6.1 Profit/loss from capital market operations		33.120
6.2 Profit/loss from financial derivative transactions		(198.722)
6.3 Foreign exchange gains/losses		201.471
VII. OTHER OPERATING INCOME	(5)	600.635
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		10.731.627
IX. IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(6)	1.469.327
X. OTHER OPERATING EXPENSES(-)	(7)	4,552.718
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		4.709.582
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-
XIII. PROFIT/LOSSES FROM SUBSIDIARIES ACCOUNTED FOR AT EQUITY METHOD		-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	4.709.582
XVI. TAX INCOME PROVISION (±)	(9)	(984.120)
16.1 Current tax charge		(749.669)
16.2 Deferred tax (charge) / benefit		(234.451)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	3.725.462
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Property and equipment income held for sale		-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-
18.3 Other income from terminated operations		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1 Property and equipment expense held for sale		-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-
19.3 Other expenses from discontinued operations		-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-
21.1 Current tax charge		-
21.2 Deferred tax charge	(10)	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	3.725.462
Earnings/losses per share (Full TRY)		2,98037

151

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.*Unconsolidated Statement of Income and Expense Items**Accounted Under Shareholders' Equity as of 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Audited Current Period 1 January - 31 December 2018
I.	CURRENT PERIOD INCOME/LOSS	2.521.795
II.	OTHER COMPREHENSIVE INCOME	549.856
2.1	Not Reclassified Through Profit or Loss	71.293
2.1.1	Property and Equipment Revaluation Increase/Decrease	57.207
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	24.758
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(10.672)
2.2	Reclassified Through Profit or Loss	478.563
2.2.1	Foreign Currency Translation Differences	(54.085)
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	631.003
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Lossess	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(98.355)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	3.071.651

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Income and Expense Items

Accounted Under Shareholders' Equity as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Audited Prior period 1 January- 31 December 2017
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	520.512
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	62.666
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	67.886
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	(11.621)
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(49.285)
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	590.158
XI.	PROFIT/LOSS	3.725.462
11.1	Change in fair value of marketable securities (Transfer to profit/loss)	33.120
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-
11.3	Transfer of hedge of net investments in foreign operations to income statement	-
11.4	Other	3.692.342
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	4.315.620

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

W. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Expense Not Reclassified through Profit or Loss				Other (Shares of Investments Valued by Other Comprehensive Income Net Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Classified Through Other Translation Differences)			Expense Reclassified through Profit or Loss				Other (Cash Flow Hedge Gain/Loss, Share Premiums Valued by Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Financial Assets at Fair Value Through Other Comprehensive Income)				Current Period Profit or (Loss)		Total Equity Shares
Audited Period End Balance 31 December 2018	Paid in Capital	Share Cancellation Premiums	Share Profits	Other Reserves	Accumulated Revaluation Decrease of Fixed Assets	Accumulated Remeasurement Defined Benefit Plan	Accumulated Remeasurement Defined Benefit Plan	Foreign Currency Translation Differences	Reclassification Through Other Comprehensive Income	Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Equity Shares	Minority Shares	Total Equity			
I. Prior Period End Balance	1,250,000	-	-	1,176,589	1,273,315	(10,263)	(10,263)	-	52,631	972,898	16,936,107	3,725,462	-	25,376,739	-	25,376,739		
J. Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	704,534	-	-	704,534	-	704,534		
K. Effects of Corrections in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
L. Adjusted Beginning Balance (I-II)	1,250,000	-	-	1,176,589	1,273,315	(10,263)	(10,263)	-	52,631	972,898	16,936,107	4,429,596	-	26,081,273	-	26,081,273		
M. Total Comprehensive Income	-	-	-	-	51,487	19,806	-	(54,085)	-	532,648	-	2,521,795	3,071,651	-	-	3,071,651		
N. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
O. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
P. Paid in Capital Initiation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Q. Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
R. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
S. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
T. Increase / Decrease by Other Changes	-	-	-	54,085	-	-	-	-	-	3,539,188	(3,725,462)	-	54,085	-	(186,274)	(186,274)		
U. Profit Distribution	-	-	-	-	-	-	-	-	-	-	(186,274)	-	-	-	(186,274)	-		
V. Dividends Paid	-	-	-	-	-	-	-	-	-	-	3,539,188	(3,539,188)	-	-	-	-		
W. Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Period End Balance (I-X)	1,250,000	-	-	1,230,474	1,324,802	9,543	-	(1,456)	-	1,505,546	20,475,295	704,534	2,521,795	29,020,735	-	29,020,735		

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Changes in Shareholders' Equity as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited - (1 January - 31 December 2017)	Note	Paid in capital	Effect of inflation adjustments on paid in capital	Share premium	Share cancellation profit	Legal reserves	Statutory reserves	Extra- ordinary reserves	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss)	Vatation changes in prop. and sec. assets	Revaluation changes in prop. and sec. assets	Bonus shares from shareholders	Hedging purp./term. funds	Value change in pro. and equip. held for sale	Total shareholders' equity
I. Changes at end of prior period		1,250,000	1,220,451	-	-	1,462,358	-	13,104,130	(74,244)	2,598,265	-	482,753	1,284,322	8,711	-	-	21,316,946
II. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	542,776	-	-	-	-	542,776
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investment made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	(11,207)	-	-	-	(11,207)
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonds shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	67,886	-	-	-	-	-	-	-	67,886
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	(9,297)	-	-	-	-	-	-	-	(9,297)
XVII. Net profit or losses		-	-	-	-	-	-	-	3,725,462	-	-	-	-	-	-	-	3,725,462
XVIII. Profit distribution		-	-	-	-	163,291	-	2,139,147	(2,598,265)	-	-	-	-	-	-	-	235,827
18.1 Dividends distributed		-	-	-	-	-	-	-	-	(2,558,827)	-	-	-	-	-	-	(2,558,827)
18.2 Transfers to legal reserves		-	-	-	-	163,291	-	2,139,147	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance		1,250,000	1,220,451	-	-	1,645,649	-	15,243,277	(15,659)	3,725,462	-	1,025,529	1,273,315	8,711	-	-	25,376,739

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Cash Flows

for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note	Audited Current Period 1 January- 31 December 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		(7.315.716)
1.1.1 Interest received		30.747.266
1.1.2 Interest paid		(26.502.886)
1.1.3 Dividend received		233.086
1.1.4 Fees and commissions received		2.752.996
1.1.5 Other income		313.165
1.1.6 Collections from previously written off loans		1.144.167
1.1.7 Cash payments to personnel and service suppliers		(2.428.922)
1.1.8 Taxes paid		(596.308)
1.1.9 Other	(1)	(12.978.280)
1.2 Assets and Liabilities Subject to Banking Operations		8.484.868
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss		(35.210)
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		(212)
1.2.3 Net (increase) / decrease in loans		(49.399.681)
1.2.4 Net (increase) / decrease in other assets		(1.332.466)
1.2.5 Net increase / (decrease) in bank deposits		11.876.374
1.2.6 Net increase / (decrease) in other deposits		42.146.993
1.2.7 Net Increase / decrease in financial liabilities at fair value through profit or loss		-
1.2.8 Net increase / (decrease) in funds borrowed		(5.074.110)
1.2.9 Net increase / (decrease) in matured payables		-
1.2.10 Net increase / (decrease) in other liabilities	(1)	10.303.180
I. Net cash provided from banking operations		1.169.152
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities		(14.916.767)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(310.473)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		-
2.3 Fixed assets purchases		(925.381)
2.4 Fixed assets sales		367.994
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(10.680.798)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		5.765.227
2.7 Cash paid for purchase of investment securities		(12.918.165)
2.8 Cash obtained from sale of investment securities		3.785.416
2.9 Other		(587)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash used in financing activities		5.044.485
3.1 Cash obtained from loans borrowed and securities issued		7.993.795
3.2 Cash used for repayment of loans borrowed and securities issued		(2.763.036)
3.3 Bonds issued		-
3.4 Dividends paid		(186.274)
3.5 Payments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	5.212.885
V. Net increase / (decrease) in cash and cash equivalents		(3.490.245)
VI. Cash and cash equivalents at beginning of the period	(4)	27.121.864
VII. Cash and cash equivalents at end of the period	(5)	23.631.619

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Cash Flows

for the Year Ended 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note	Audited Prior period 1 January - 31 December 2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		5.020.676
1.1.1 Interest received		23.076.334
1.1.2 Interest paid		(14.287.590)
1.1.3 Dividend received		34.804
1.1.4 Fees and commissions received		2.490.248
1.1.5 Other income		294.785
1.1.6 Collections from previously written off loans		699.867
1.1.7 Cash payments to personnel and service suppliers		(2.022.875)
1.1.8 Taxes paid		(373.626)
1.1.9 Other	(1)	(4.891.271)
1.2 Assets and Liabilities Subject to Banking Operations		13.084.768
1.2.1 Net (increase) decrease in financial assets held for sale		(15.210)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		12.245
1.2.4 Net (increase) decrease in loans		(45.125.763)
1.2.5 Net (increase) decrease in other assets		580.813
1.2.6 Net increase (decrease) in bank deposits		(3.637.720)
1.2.7 Net increase (decrease) in other deposits		45.584.908
1.2.8 Net increase (decrease) in loans borrowed		(1.947.164)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities	(1)	17.632.659
I. Net cash provided from banking operations		18.105.444
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities		(5.993.692)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(14.994)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		-
2.3 Fixed assets purchases		(434.998)
2.4 Fixed assets sales		201.562
2.5 Cash paid for purchase of financial assets available for sale		(8.881.650)
2.6 Cash obtained from sale of financial assets available for sale		7.477.165
2.7 Cash paid for purchase of investment securities		(4.655.675)
2.8 Cash obtained from sale of investment securities		346.978
2.9 Other		(32.080)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash used in financing activities		(286.955)
3.1 Cash obtained from loans borrowed and securities issued		8.174.710
3.2 Cash used for repayment of loans borrowed and securities issued		(8.205.739)
3.3 Bonds issued		-
3.4 Dividends paid		(255.827)
3.5 Payments for finance leases		(99)
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	908.274
V. Net increase / (decrease) in cash and cash equivalents		12.733.071
VI. Cash and cash equivalents at beginning of the period	(4)	14.388.793
VII. Cash and cash equivalents at end of the period	(5)	27.121.864

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Profit Distribution for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31 December 2018
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1. Current Period Profit	2.717.818
1.2. Taxes and Legal Duties Payables (-)	(196.023)
1.2.1. Corporate Tax (Income Tax)	(9.840)
1.2.2. Withholding Tax	-
1.2.3. Other Taxes and Duties	(186.183)
A. Net Profit For The Period (1.1-1.2)	2.521.795
1.3. Accumulated Losses (-)	-
1.4. First Legal Reserves (-)	-
1.5. Other Statutory Reserves (-)	-
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	-
1.6. First Dividend to shareholders (-)	-
1.6.1. To Owners of Ordinary Shares	-
1.6.2. To Owners of Privileged Shares	-
1.6.3. To Owners of Redeemed Shares	-
1.6.4. To Profit Sharing Bonds	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-
1.7. Dividends to personnel (-)	-
1.8. Dividends to Board of Directors (-)	-
1.9. Second Dividend to Shareholders (-)	-
1.9.1. To Owners of Ordinary Shares	-
1.9.2. To Owners of Privileged Shares	-
1.9.3. To Owners of Redeemed Shares	-
1.9.4. To Profit Sharing Bonds	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	-
1.11. Status Reserves (-)	-
1.12. Extraordinary Reserves	-
1.13. Other Reserves	-
1.14. Special Funds	-
II. Distribution of Reserves	
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends to Shareholders (-)	-
2.3.1. To Owners of Ordinary Shares	-
2.3.2. To Owners of Privileged Shares	-
2.3.3. To Owners of Redeemed Shares	-
2.3.4. To Profit Sharing Bonds	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-
2.4. Dividends to Personnel (-)	-
2.5. Dividends to Board of Directors (-)	-
III. Earnings per Share	
3.1. To Owners of Ordinary Shares	2,0174
3.2. To Owners of Ordinary Shares (%)	201,74%
3.3. To Owners of Privileged Shares	-
3.4. To Owners of Privileged Shares (%)	-
IV. Dividend per Share	
4.1. To Owners of Ordinary Shares	-
4.2. To Owners of Ordinary Shares (%)	-
4.3. To Owners of Privileged Shares	-
4.4. To Owners of Privileged Shares (%)	-

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Unconsolidated Statement of Profit Distribution

for the Year Ended 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Prior Period 31 December 2017 ⁽¹⁾
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1. Current Period Profit	4.709.582
1.2. Taxes and Legal Duties Payables (-)	(984.120)
1.2.1. Corporate Tax (Income Tax)	(749.669)
1.2.2. Withholding Tax	-
1.2.3. Other Taxes and Duties	(234.451)
A. Net Profit For The Period (1.1-1.2)	3.725.462
1.3. Accumulated Losses (-)	-
1.4. First Legal Reserves (-)	186.273
1.5. Other Statutory Reserves (-)	-
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	3.539.189
1.6. First Dividend to shareholders (-)	62.500
1.6.1. To Owners of Ordinary Shares	62.500
1.6.2. To Owners of Privileged Shares	-
1.6.3. To Owners of Redeemed Shares	-
1.6.4. To Profit Sharing Bonds	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-
1.7. Dividends to personnel (-)	-
1.8. Dividends to Board of Directors (-)	-
1.9. Second Dividend to Shareholders (-)	123.774
1.9.1. To Owners of Ordinary Shares	123.774
1.9.2. To Owners of Privileged Shares	-
1.9.3. To Owners of Redeemed Shares	-
1.9.4. To Profit Sharing Bonds	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	32.344
1.11. Status Reserves (-)	-
1.12. Extraordinary Reserves	3.320.571
1.13. Other Reserves	-
1.14. Special Funds	-
II. Distribution of Reserves	
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends to Shareholders (-)	186.274
2.3.1. To Owners of Ordinary Shares	186.274
2.3.2. To Owners of Privileged Shares	-
2.3.3. To Owners of Redeemed Shares	-
2.3.4. To Profit Sharing Bonds	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-
2.4. Dividends to Personnel (-)	199.665
2.5. Dividends to Board of Directors (-)	-
III. Earnings per Share	
3.1. To Owners of Ordinary Shares	2.9804
3.2. To Owners of Ordinary Shares (%)	298,04%
3.3. To Owners of Privileged Shares	-
3.4. To Owners of Privileged Shares (%)	-
IV. Dividend per Share	
4.1. To Owners of Ordinary Shares	-
4.2. To Owners of Ordinary Shares (%)	-
4.3. To Owners of Privileged Shares	-
4.4. To Owners of Privileged Shares (%)	-

⁽¹⁾Board of Directors meeting was not held as of 31 December 2017 financial reporting date.

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities carried at fair value.

Accounting policies and accounting estimates on which the accompanying financial statements based are in compliance with "The Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulation" and other regulations, circulars and pronouncements published by the BRSA and by the KGK for those that are not stipulated by them and Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Bank. Prior year unconsolidated financial statements and its related notes have not been restated due to the change in the accounting policy, as part of the transition clause of the adoption of TFRS 9. Accounting policies and valuation principles used in the preparation of the financial statements for 2018 and 2017 periods are presented separately. Accounting policies applicable for 2017 period are presented in the Section 3, Note XXIII. The impact of the adoption of TFRS 9 on the statement of financial position is explained in the Section 3, Note VI.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Disclosures of TFRS 9 Financial Instruments Standard:

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced "TAS 39: Financial Instruments: Recognition and Measurement." standard.

All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Bank has applied the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods. In this respect, the explanations of impacts on equity regarding the adoption of TFRS 9 is given in the Section 3, Note VI.

Classification and measurement of financial assets:

For the determination of which category a financial instrument shall be classified at initial recognition and whether contractual cash flows represent solely payments of principal and interest in accordance with TFRS 9 Standard is tested by the Bank. According to the test results and business model of the Bank, financial assets are recognized in the financial statements.

Impairment of financial assets:

As of 1 January 2018, the Bank has started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note XXIII of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets have been divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

TFRS 15 Revenue From Contracts with Customers

TFRS 15 Revenue from Contracts with Customers standard provides single and comprehensive model and guidance regarding recognition of revenue and replaces TAS 18 Revenue Standard. The Standard is in effect starting from 1 January 2018 and does not have a significant impact on the financial statements.

New Standards not effective as of 1 January 2018

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard will be effective from annual periods beginning on or after 1 January 2019. The Bank elected to apply the simplified transition approach for the first time adoption and will not restate comparative amounts for the prior year. The Bank does not expect a significant impact in its financials.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

a) The Bank's strategy on financial instruments:

Due to its historical mission, the Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Bank can raise funds from money markets and borrowings abroad.

The Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Bank are evaluated in the weekly Asset and Liability Committee meetings.

b) The Bank's explanations on foreign currency transactions:

In the statutory records of the Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and settlements of foreign currency transactions are reflected to the income statement.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date.

Income and expenses are converted by at exchange rates at the dates of the transactions.

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd (subsidiary), Halk Banka A.D. Skopje (subsidiary), Demirhalkbank NV(associate), foreign investments that are recognized under fair value accounting as hedged item, in compliance with TFRS 9 standard. Accordingly, the effective portion of the foreign exchange differences is recorded under income statement in the current period.

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The bank uses derivatives to avoid economical risks and account for as trading under TFRS 9 Standard as "Changes in Fair Value through Profit or Loss".

Pledges arises derivative transactions recorded in off-balance sheet accounts with their agreement amounts. Derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively depending on the fair values being positive or negative. Fair value changes of derivative instruments are recorded under income statement. Fair values of derivatives are calculated using discounted cash flow model or market value.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Explanations related to credit derivatives and its risk exposures:

The Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 31 December 2018, the bank has credit default swap transaction amounting to USD 260 million with 5 year maturity. In this transactions the Bank sells protection.

IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TFRS 9 Standard.

Starting from 1 January 2018, the Bank has started accruing interest accrual on non-performing loans. Net book value of the non-performing loans are discounted with effective interest rate and recognized with the gross book value of the non-performing loan.

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

Fee and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. These fee and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

VI. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Bank, if the Bank is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Bank. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm's length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

The estimated fair values of financial assets have been determined by the Bank using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

Classification of the category of a financial instrument at initial recognition depends on both the business model for managing the financial assets and their contractual cash flow characteristics.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Assessment of Business Model

The Bank classifies its financial assets in accordance with TFRS 9 through its business model which is used for financial assets management.

The Bank's business model is related with how the Bank manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Bank's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both.

Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset.

The Bank's business models are classified in three main categories in accordance with TFRS 9.

1. A business model whose objective is to hold assets in order to collect contractual cash flows:

A business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The purpose of the business model does not require to hold to collect the contractual cash flows of the instruments over their life, even the aim of the business model is to hold the instruments up to maturity for the contractual cash flows. Therefore, even when financial asset sales are anticipated or expected to occur in the future, the business model may still be a model that aims to retain financial assets in order to collect contractual cash flows.

The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value changes of the financial assets that are held within the scope of this business model are accounted for under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Other Business Models:

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Bank makes its decisions on the basis of business model, which is based on the fair value of the assets and manages the assets to obtain their fair value. Therefore, if the financial assets are held for the purpose of obtaining cash flows arising from their sale, the change in fair value are measured at fair value through profit or loss.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, the Bank classified all its financial assets based on the business model for managing the financial assets. Accordingly, the financial assets are classified as per TFRS 9 in three main categories listed below:

1. Financial assets measured at amortized cost,
2. Financial assets measured at fair value through other comprehensive income
3. Financial assets measured at fair value through profit/loss.

TFRS 9, the paragraph 4, explains how financial assets are classified in accordance with methods explained in Article 1 and 2 and other than these financial assets, remaining financial assets are classified in accordance with the method detailed in Article 3.

1. Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met.

- (a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

2. Financial Assets Measured at Fair Value through other comprehensive income

A financial asset is measured if both of the following conditions are met.

- (a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

3. Financial Assets Measured at Fair Value through profit or loss

According to TFRS 9 paragraph 4.1.4, the financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. However, the Bank may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Cash Equivalents and Banks

Cash and bank balances in foreign currencies are valued by using the Bank's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return subsequent to recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Associates and subsidiaries

As of 1 January 2012, the Bank changed its accounting policy of Turkish Lira denominated subsidiaries, and as of 18 June 2015 the Bank changed its accounting policy of foreign currency denominated subsidiaries and associates, and started to measure related subsidiaries and associates with their fair values. Foreign currency denominated associates and subsidiaries are converted into TRY by using the exchange rates at the date of which the fair value is determined. Fair values of the subsidiaries, whose shares are unquoted on an active market (stock exchange) are determined with the valuation reports that are prepared by an independent valuation company and fair values of the subsidiaries, whose shares are quoted on an active market (stock exchange) are determined by taking into account values at stock exchange, and valuation differences are added to the subsidiaries values and correspondingly recorded in the "Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss" under the shareholders' equity.

Reclassification of Financial Assets in accordance with TFRS 9

Reclassifications and remeasurements during the first time adoption of TFRS 9 Financial Instruments standard and the impairment provision as of 31 December 2017 calculated by the Bank and expected loss provision as of 1 January 2018 in accordance with TFRS 9 are reconciled as follows:

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Before TFRS 9 Book Value			TFRS 9 Book Value
ASSETS	31 December 2017	Reclassification Effect	Measurement Effect	1 January 2018
Financial Assets (Net)	92.990.250	(23.511)	7.229	92.973.968
Cash and Cash Equivalents	43.725.626	-	-	43.725.626
Cash and Balances with Central Bank	36.373.039	-	-	36.373.039
Banks	6.093.940	-	-	6.093.940
Money Market Placements	1.258.647	-	-	1.258.647
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	10.085.985	-	-	10.085.985
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	-	17.089.549	-	17.089.549
Financial Assets Measured at Amortised Cost	-	21.727.169	-	21.727.169
Derivative Financial Assets	361.921	-	-	361.921
Non – Performing Financial Assets	-	-	-	-
Expected Credit Losses (-)	-	23.511	(7.229)	16.282
Financial Assets Available for Sale (Net)	17.089.549	(17.089.549)	-	-
Investments Held to Maturity (Net)	21.727.169	(21.727.169)	-	-
Hedging Derivative Financial Assets	-	-	-	-
Loans (Net)	203.464.477	(2.134.958)	319.910	201.649.429
Loans	202.137.152	-	-	202.137.152
Performing Loans	197.034.016	-	-	197.034.016
Loans Under Follow up	5.103.136	-	-	5.103.136
Lease Receivables	-	-	-	-
Factoring Receivables	-	-	-	-
Non – performing Receivables	6.106.597	-	-	6.106.597
Expected Credit Losses (-)*	4.779.272	2.134.958	(319.910)	6.594.320
12 Month ECL (Stage 1)	-	2.034.368	(1.104.897)	929.471
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	100.590	665.999	766.589
Lifetime ECL Impaired Credits (Stage 3/ Special Provision)	4.779.272	-	118.988	4.898.260
Assets Held for Sale and Assets of Discontinued Operations (Net)	-	-	-	-
Equity Investments	3.959.500	-	-	3.959.500
Associates (Net)	332.792	-	-	332.792
Subsidiaries (Net)	3.626.708	-	-	3.626.708
Joint Ventures (Net)	-	-	-	-
Tangible Assets (Net)	2.535.779	-	-	2.535.779
Intangible Assets (Net)	113.685	-	-	113.685
Investment Properties (Net)	358.574	-	-	358.574
Current Tax Asset	-	-	-	-
Deferred Tax Assets	-	-	-	-
Other Assets	1.928.383	-	-	1.928.383
TOTAL ASSETS	305.350.648	(2.158.469)	327.139	303.519.318

*The table above does not include the expected credit loss provisions calculated for non-cash loans that accounted for under liabilities.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Effects on Equity with TFRS 9 Transition

The Bank reflected the classification, measurement and impairment requirements to opening equity without restating previous period financial statements. In this respect, TRY 291.685 arising between the provision for impairments of the previous period of the Bank and the provision for the loan losses that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Prior Period Profit or Loss".

Deferred tax on previously booked general provisions (formerly general provisions now allocated for TFRS 9 expected loss provisions for the loans under first and second stages), is accounted for the first time as of 1 January 2018.

Accordingly, deferred tax assets amounting to TRY 412.849 have been booked to the opening financial statements of 1 January 2018 and the related amount has been classified under "Prior Period Profit or Loss" under equity.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

As of 1 January 2018, the Bank recognizes loan loss allowances for expected credit losses on financial assets and loans measured at amortised cost and measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit / loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classifications of Loans and Allowances Allocated for Such Loans" effective from 1 January 2018. Financial assets measured at fair value are not assessed for impairment.

As of the reporting date, the Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition in accordance with TFRS 9 paragraph 5.5.4. When making the assessment, the Bank shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Bank calculates the expected credit loss on a collective basis by grouping the financial assets having common credit risk features or on an individual basis.

The Bank constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration the change in the risk of a default event occurring over the expected life of the financial instrument.

Calculation of expected credit losses

A credit loss is present value of calculated difference between the total cash flows that will occur based on the contractual terms of financial instruments and the total cash flows, which the Bank expects to collect, with the initial effective interest rate. The Bank calculates expected credit losses based on a probability – weighted estimate of credit losses (the present value of all cash shortfalls) over the expected life of the financial instruments. The Bank estimates cash flows over expected life of a financial instrument with the consideration of contractual terms of the financial instrument, and considers the weighted average of the credit losses as the expected default risk as the expected credit loss.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Probability of Default (PD):

It is defined as the probability that the debtor does not fulfill its obligations to the bank or in other words it can not repay its debts to the bank. This ratio is calculated for each loan based on various statistical assumptions depending on the maturity, internal behavioral model, external behavioral model and financial module data. The probability values take a value between 0 and 1, and as the probability value increases, the likelihood of the credit defaulting increases.

Loss given Default (LGD):

This is the parameter indicates the expected economic loss of the bank if the credit defaults. In the case of the credit defaults and the Bank collects the entire amount of the default, LGD is zero, in the case of no collection, LGD is 100% percent. LGD rates are reviewed on a maximum of 1 year basis.

Exposure at Default (EAD)

It is the parameter that indicates how much of a loan will default. The default amount for a spot or installment loan is the amount, which is listed on the payment schedule at the time of default. Additionally, the default amount for the credit cards and limit gaps of overdraft accounts and non-cash loans, are calculated with a parameter called credit conversion rate (LCR). The default risk amount in the future is estimated by calculating by the statistical methods with the credit conversion rate, since it is not known at the time of loan origination due to undrawn commitment for limit of credit cards and overdraft accounts.

12 Month Probability of Default

It is the estimated probability of default occurring within the next 12 months following the balance sheet date. According to Article 5.5.5 of TFRS 9 standard, in the case of that there is no significant increase in credit risk of a financial instrument since its first recognition, the Bank shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

In the case of a customer or a loan that is classified under Standard Loans (Stage I), the provision for loan is calculated on 365 days even if the maturity of the loan is above 1 year. In the case of maturity of the loan is under 1 year, number of days left to maturity (except revolving loans and credit cards) are used in calculations.

Lifetime Probability of Default

It is the estimated probability of default occurring over the remaining life of the financial instrument. According to article 5.5.3 of TFRS 9 standard, in case of a significant increase in credit risk for a financial instrument since its initial recognition, the Bank shall measure provision for loss of related financial instrument as equal as expected lifetime probability of default amount.

In the case of a customer or loan is classified as Stage 2 and / or Stage 3, the provision for expected credit loss is measured at the lifetime probability of default. Despite the fact that the methods for used calculation for provision of expected credit loss are similar for Stage 2 and Stage 3 loans, the probability of default for Stage 3 credits is accepted as 100%.

TFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Bank is considering qualitative indicators (e.g. financial commitments), if appropriate, when defining a default according to article B5.5.37 of TFRS 9, for the purpose of determining the risk of business default and adopts a definition of default, consistent with the definition used for in-house credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

"The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument." in line with Article 90 of the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

a) Considering that a debtor is unlikely to pay credit obligations to the Bank and to the Bank's consolidated financial subsidiaries without using guarantees

b) Considering that a debt having past due more than 90 days to the Bank or its financial subsidiaries

The expected loan loss provision for the loans classified as non-performing loans (Stage 3) is calculated using the estimation of loss given default (LGD). Aforementioned estimation is based on the historical data on a segment basis and determined by the principle loss charge, being the remaining amount after the collection made within the period after each segment has defaulted.

Low Credit Risk

TFRS 9 standard states that in some cases, the credit risk on a financial instrument can be calculated as low if the financial instrument has a low risk of default when there is no reliable past default data.

According to Article 5.5.10 of TFRS 9, if the entity determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its initial recognition in the financial statement. Those transactions in the Bank are classified as follows:

- a) CBRT transactions (Currencies held in CBRT and reserve requirements)
- b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)
- c) Treasury Loans (Transactions with Treasury Republic of Turkey)
- d) Loans guaranteed by Treasury of Republic of Turkey

The Rules of Significant Increase in Credit Risk

Significant increase in credit risk requires measurement of the Bank's provision for expected credit losses at lifetime probability of default instead of 12 month expected credit loss.

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

IX. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under "Financial Assets at Fair Value through Other Comprehensive Income" or "Fair Value measured at Amortised Cost" in the Bank's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds Obtained from Money Market" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Money Markets" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

X. EXPLANATIONS ON ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Assets that meet the criteria to be classified as held for sale are measured at carrying amount and depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify an asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year.

Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 3 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except buildings that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property, plant and equipment are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

As of 1 April 2015, the Bank adopted the revaluation method for buildings in tangible assets in accordance with Turkish Accounting Standard No: 16 "Property, Plant and Equipment" (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in "Accumulated Other Comprehensive Income or Loss Not Reclassified through Profit or Loss" under the shareholders' equity.

Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2%
Safes	50	2%
Other movable properties	3-25	4-33,33%
Assets held under financial leases	4-5	20-25%

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no material mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

Classification of Investment Properties:

If a land or building is being used by an owner and the intention is changed to an investment property, this property is classified as an investment property.

When the use of an immovable is changed and reclassified as an investment property, the actual value of the date on which the change in the use of the named property takes place will be the cost of the subsequent accounting.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties in the attached unconsolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Investment properties are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a "lessor".

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provision and contingent liabilities are accounted in conformity with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of The Bank's management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

XVI. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 "Employee Benefits". According to related legislation and union agreements, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability.

The retirement pay provision of the Bank has been determined by the actuarial report of an independent actuary firm. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders' equity according to the revised TAS 19.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

T. Halk Bankası Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members including employees of the Bank. Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension funds would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly (TGNA) started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Council of Ministers decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, the authority of the Council of Ministers extending 2 years has been raised to 4 years.

The statement "The Council of Ministers have entitled to determine transfer period" has taken place in the scope of the Article 51 of the Law No: 6645 which was published on the Gazette on 23 April 2015 and numbered 29335.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2017 no technical deficit has been reported.

XVII. EXPLANATIONS ON TAXATION

In accordance with provisional article 10 of the Law No. 5520 on Taxation No. 7061 added to the Article No 91 of the Law on Taxation, the 20% rate institutions listed in the first paragraph of the Article 32 of the Corporate Tax Law are subject to the taxation periods of 2018, 2019 and 2020 (for fiscal years beginning in the year concerned for the designated institutions). In addition, the Council of Ministers is authorized to reduce the rate of 22% written in the first sentence to 20%

The tax rate used in the calculation of deferred tax assets and liabilities is 22% over temporary timing differences expected to reverse in 2018, 2019 and 2020 and 20% over temporary timing differences expected to reverse after 2021 (31 December 2017: 20%)

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Calculated corporate tax as of 31 December 2017 has been paid in February 2018 thereby setting off calculated advanced taxes in previous periods. Moreover, accrued advance tax for 1 January-31 March 2018 period is paid in May 2018 and accrued advance tax for 1 January-30 June 2018 period and for 1 January-30 September 2018 period have not been paid since accumulated tax losses occurred. Furthermore, advance tax for 1 January-31 December 2018 period will also be accrued in February 2019.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax.

The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October.

On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XVIII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

XIX. EXPLANATIONS ON SHARES ISSUED

Share issuances related to costs are recognized as expenses. Dividends related with the equity shares are determined by the General Assembly of the Bank.

The Bank has not issued any shares in the current and prior period. In accordance with the decision of the Higher Council of Privatization dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered with the Capital Markets Board as per the CMB decision dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul AŞ as of 10 May 2007.

As per the decision of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

XX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXII. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Bank. The Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The information of the Bank's business segments is explained in section four, disclosure numbered VII.

XXIII. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD

TFRS 9 Financial Instruments" standard came into effect to replace "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies no longer applicable after the transition of TFRS 9 are given below.

The Bank categorized its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity" in prior periods.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

1. Financial assets at fair value through profit and loss

1.1. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are measured at fair values after the initial recognition. All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of financial asset and its discounted value are recognized in "Interest Income", in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account and the dividends presented under dividend income. In the case of financial asset is sold off before its maturity, consisted gains or losses are accounted within the same principals.

1.2. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not acquired for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

2. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their amortized cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Bank as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

3. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized cost is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "amortized cost" using the internal rate of return is regarded as the fair value. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or impairment of those assets. Fair value differences accounted for under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when proceeds are collected.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

4. Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return subsequent to recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount. A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

For loans and receivables; the Bank's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions (Communiqué)" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not book provisions for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the respective coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety type of collaterals defined in the Article 9 of the related legislation. Unindemnified and not reimbursed non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the principal, and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

Bank provides general allowances for loan and other receivables in accordance with the Provisioning Regulation. The allowances are recorded in income statement of the related period. Provisions made during the period are recorded under "provision for losses on loans and other receivables". Provisions booked in the prior periods and released in the current year are recorded under "other operating income".

XXIV. EXPLANATIONS ON OTHER MATTERS

None.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON CAPITAL

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2018, the Bank's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" is 13,80% (31 December 2017: 14,18%), The equity is calculated as TRY 37.119.404 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2017: TRY 28.481.912).

(1) Information on Equity items:

Current Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	20.476.807	
Other Comprehensive Income according to TAS	3.030.210	
Profit	3.226.329	
Current Period Profit	2.521.795	
Prior Period Profit	704.534	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	29.212.508	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	191.773	
Leasehold Improvements on Operational Leases (-)	67.145	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	140.250	140.250
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	399.168	
Total Common Equity Tier I Capital	28.813.340	

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	28.813.340	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.386.241	
Tier II Capital Before Deductions	8.316.036	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	8.316.036	
Total Equity (Total Tier I and Tier II Capital)	37.129.376	
Deductions from Total Capital	37.119.404	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	9.972	

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
TOTAL CAPITAL		
Total Capital	37.119.404	
Total Risk Weighted Assets	269.022.275	
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	10,71	
Tier I Capital Ratio (%)	10,71	
Capital Adequacy Ratio (%)	13,80	
BUFFERS		
Bank-specific total CET1 Capital Ratio (a+b+c)	1,894	
a) Capital Conservation Buffer Ratio (%)	1,875	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,019	
c) Systemic significant bank buffer ratio (%) **	0,000	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,71	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	96.102	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	428.967	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	1.480.963	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.386.241	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.386.241	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)(effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

*Amounts in this column represents the amounts of items that are subject to transitional provisions.

**The systemic significant bank buffer ratio shown as 0.000% in the unconsolidated financial report since it is necessary to fill in the systematic significant banks that are not required to prepare consolidated financial statements in accordance with the third and the fourth paragraph of the Article 4 of the "Regulation on Systemic Significant Banks".

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	16.883.534	
Other Comprehensive Income according to TAS	2.288.581	
Profit	3.725.462	
Current Period Profit	3.725.462	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	25.376.739	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	
Leasehold Improvements on Operational Leases (-)	55.786	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	90.948	113.685
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	146.734	
Total Common Equity Tier I Capital	25.230.005	

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period	22.737	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	22.737	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	25.207.268	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.000.000	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.288.701	
Total Deductions from Tier II Capital	3.288.701	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	3.288.701	
Total Equity (Total Tier I and Tier II Capital)	28.495.969	
Total Tier I Capital and Tier II Capital (Total Equity)	28.481.912	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	14.047	

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
TOTAL CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	28.481.912	
Total Risk Weighted Assets	200.865.817	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	12,56	
Tier I Capital Ratio (%)	12,55	
Capital Adequacy Ratio (%)	14,18	
BUFFERS		
Bank-specific total CET1 Capital Ratio	6,262	
Capital Conservation Buffer Ratio (%)	1,25	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,012	
Systemic Bank Buffer Ratio (%)	0,500	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	6,180	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	57.414	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	326.472	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	230.261	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.288.701	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.288.701	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

*Amounts in this column represents the amounts of items that are subject to transition provisions.

(2) The equity is calculated on the capital adequacy ratio calculation basis having reduced deductible assets on equity from the sum of core capital and supplementary capital within the scope of "Regulation on Equities of Banks" (Regulation). The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision and subordinated debt instruments. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under tangible assets in the balance sheet and intangible assets. Additionally, some of the accounts determined by the Board are reduced from the total equity in the calculation of capital.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(3) Information about instruments to be included in the Equity Calculation:

Details on Subordinated Liabilities:			
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHAL2716	TRSTHAL62811	TRSTHAL92826
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation
Regulatory treatment			
Transitional Basel III rules	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980
Par value of instrument	1.000	1.950	2.980
Accounting classification	346.011	346.011	346.011
Original date of issuance	20.10.2017	3.07.2018	26.09.2018
Perpetual or dated	Dated	Dated	Dated
Original maturity date	20.10.2017	3.07.2018	26.09.2018
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-
Subsequent call dates, if applicable	-	-	-
Coupons / dividends			
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %
Existence of a dividend stopper	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-
Existence of step up or other incentive to redeem	-	-	-
Noncumulative or cumulative	-	-	-
Convertible or non-convertible			
If convertible, conversion trigger (s)	-	-	-
If convertible, fully or partially	-	-	-
If convertible, conversion rate	-	-	-
If convertible, mandatory or optional conversion	-	-	-
If convertible, specify instrument type convertible into	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-
Write-down feature			
If write-down, write-down trigger(s)	-	-	-
If write-down, full or partial	-	-	-
If write-down, permanent or temporary	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	-	-
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. EXPLANATIONS ON CREDIT RISK

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Regional Lending Committees, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

In accordance with the risk management policies of the Bank, the limits are specified in respect of the main and sub-sectors. Those limits are monitored periodically.

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey. As per the loan procedures, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations concerning the off-balance sheet operations based on the customers and banks are monitored systematically.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are diversified in accordance with the Bank's risk management system.

As prescribed in the related Communiqué, the credit worthiness of the debtors of the loans and other receivables is monitored regularly and statements of accounts taken for the loans are audited in line with the related regulations. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Bank is exposed to significant credit risks, it has the tendency to discontinue its forward or similar type of transactions by exercising rights, fulfilling the requirements of or disposing of the agreements entered into to mitigate the total risk.

The Bank's largest 100 and 200 cash loan customers compose 28,32% and 33,78% of the total cash loan portfolio, respectively.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Bank's largest 100 and 200 non-cash loan customers compose 44,49% and 56,02% of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 19,58% and 24,74% of the total "on and off balance sheet" assets, respectively.

Stage I and Stage II expected losses for credit risks of the Bank is TRY 2.364.052 (31 December 2017: TRY 2.288.701).

188

Exposure Categories:	Current Period Credit Risk Amount⁽¹⁾	Average Risk Amount	Prior Period Risk Amount⁽¹⁾	Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	109.665.153	102.947.412	86.128.537	74.553.425
Conditional and unconditional exposures to regional governments or local authorities	3.887.468	3.644.851	3.067.537	2.472.655
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	3.222.987	3.019.967	1.660.743	1.314.454
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	14.880.265	12.434.606	13.295.959	9.110.769
Conditional and unconditional exposures to corporates	138.320.043	114.674.725	94.973.265	88.195.684
Conditional and unconditional retail exposures	69.790.981	67.241.234	59.439.102	56.509.792
Conditional and unconditional exposures secured by real estate property	67.295.644	64.587.512	56.677.261	51.374.430
Past due items	2.209.042	1.447.185	1.358.160	1.372.749
Items in regulatory high-risk categories	139.449	98.848	57.408	123.794
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Other items	19.019.586	16.334.481	13.350.572	12.865.666

⁽¹⁾ Includes the risk amounts after credit conversions.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Profile of significant exposures in major regions:

	Risk Classifications ⁽¹⁾										Total
	Current Period	Conditional and unconditional exposures to central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	
1. Domestic	109.662.173	3.887.468	3.222.987	4.304.053	136.415.695	69.663.624	66.893.682	2.154.542	139.449	19.019.586	415.363.259
2. European Union (EU) Countries ⁽²⁾	-	-	-	5.159.833	244.996	123.524	339.812	37.804	-	-	5.905.969
3. OECD Countries	-	-	-	181.356	-	115	249	-	-	-	181.720
4. Off-Shore Banking Regions	-	-	-	1.035	-	16	-	-	-	-	1.051
5. USA, Canada	2.490	-	-	4.706.381	30.133	220	541	1	-	-	4.739.766
6. Other Countries	490	-	-	527.607	1.629.219	3.482	61.360	16.695	-	-	2.238.853
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-
Total	109.665.153	3.887.468	3.222.987	14.880.265	138.320.043	69.790.981	67.295.644	2.209.042	139.449	19.019.586	428.430.618
Prior Period											
1. Domestic	86.128.536	3.067.537	1.660.717	11.713.806	93.119.804	59.328.390	56.346.989	1.331.207	57.408	13.350.572	326.104.966
2. European Union (EU) Countries ⁽²⁾	-	-	26	873.503	453.621	107.758	268.877	26.953	-	-	1.730.738
3. OECD Countries	-	-	-	77.510	-	263	315	-	-	-	78.088
4. Off-Shore Banking Regions	-	-	-	509	-	13	-	-	-	-	522
5. USA, Canada	-	-	-	280.681	301.431	84	360	-	-	-	582.556
6. Other Countries	1	-	-	349.950	1.098.409	2.594	60.720	-	-	-	1.511.674
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-
Total	86.128.537	3.067.537	1.660.743	13.295.959	94.973.265	59.439.102	56.677.261	1.358.160	57.408	13.350.572	330.008.544

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

⁽²⁾ OECD Countries other than the EU Countries, USA and Canada.

⁽³⁾ Assets and liabilities that are not consistently allocated.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Profile of significant exposures by sectors:

Current Period	Risk Classifications ⁽¹⁾												
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail property	Conditional and unconditional exposures secured by real estate	Past due receivables	Receivables in regulatory high-risk categories	Other	TRY	FC	Total
Agriculture	134.020	53	-	-	338.824	550.304	132.684	14.817	-	-	911.151	259.551	1.170.702
Farming and Stockbreeding	122.792	53	-	-	184.088	523.879	120.565	12.025	-	-	830.418	132.984	963.402
Forestry	252	-	-	-	-	6.184	1.219	-	-	-	7.655	-	7.655
Fishery	10.976	-	-	-	154.736	20.241	10.900	2.792	-	-	73.078	126.567	199.645
Manufacturing	8.884.851	234	1.272.633	-	53.731.376	10.014.758	20.010.482	694.345	-	-	44.064.471	50.544.208	94.608.679
Mining and Quarrying	109.537	-	805.542	-	1.770.984	157.367	182.730	6.249	-	-	558.439	2.473.970	3.032.409
Production	8.624.750	8	449.974	-	39.491.704	9.787.964	18.124.680	687.835	-	-	40.511.602	36.855.313	77.366.915
Electricity, Gas and Water	150.564	226	17.117	-	12.268.688	69.427	1.703.072	261	-	-	2.994.430	11.214.925	14.209.355
Construction	1.407.604	-	537	-	14.545.477	1.886.468	2.062.057	236.735	-	-	12.775.941	7.363.137	20.139.078
Services	8.203.650	10.654	1.242.466	14.880.265	38.233.309	31.918.120	19.482.630	1.008.379	-	19.019.586	80.635.211	53.363.868	133.999.079
Wholesale and Retail Trade	6.153.897	2.033	602.851	-	15.003.881	19.589.454	9.122.895	698.998	-	-	42.563.861	9.110.148	51.674.009
Accommodation and Dining	1.078.626	169	1.903	-	7.554.255	1.093.823	5.565.525	209.694	-	-	3.183.389	12.320.606	15.503.995
Transportation and Telecom.	351.622	8.448	284.352	-	4.568.147	9.465.398	863.509	24.282	-	-	11.035.464	4.530.294	15.565.758
Financial Institutions	17.801	-	328.209	14.880.265	3.907.493	42.816	859.627	8	-	19.019.586	18.599.352	20.456.653	39.056.005
Real Estate and Rental Services	17.843	-	1.066	-	4.380.943	533.121	1.838.687	47.049	-	-	1.639.639	5.279.070	6.918.709
Professional Services	7.186	-	-	-	128	860.036	126.002	3.173	-	-	996.178	347	996.525
Educational Services	181.628	-	753	-	1.542.807	157.533	335.122	10.224	-	-	1.345.053	883.014	2.228.067
Health and Social Services	295.047	4	23.352	-	775.455	175.939	771.263	14.951	-	-	1.272.275	783.736	2.056.011
Other	91.035.028	3.876.527	707.331	-	31.471.057	25.421.131	25.407.791	254.766	139.449	-	110.112.472	68.400.608	178.513.080
Total	109.665.153	3.887.468	3.222.987	14.880.265	138.320.043	69.790.981	67.295.644	2.209.042	139.449	19.019.586	248.499.246	179.931.372	428.430.618

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

*Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018*

191

¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Analysis of maturity-bearing exposures according to remaining maturities ^(*) ^(**):

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	735.725	1.065.719	1.879.945	5.026.597	100.957.167
2. Conditional and unconditional exposures to regional governments or local authorities	59.384	15.347	34.494	267.893	3.510.350
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	550.016	38.004	16.752	248.893	2.369.322
4. Conditional and unconditional exposures to banks and brokerage houses	6.240.103	7.227	79.432	164.222	8.389.281
Conditional and unconditional exposures to corporates	17.743.083	7.105.012	13.588.772	26.562.156	96.557.734
6 Conditional and unconditional retail exposures	6.815.332	2.527.518	4.448.583	13.011.030	87.186.897
7. Past due items	2.209.042	-	-	-	-
8. Other Items	-	-	-	-	19.019.586
Total	34.352.685	10.758.827	20.047.978	45.280.791	317.990.337

^(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.^(**) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	1.091.102	497.875	1.200.790	2.978.033	80.360.737
2. Conditional and unconditional exposures to regional governments or local authorities	49.076	17.414	74.007	165.432	2.761.608
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	724.790	5.371	7.920	109.237	813.425
4. Conditional and unconditional exposures to banks and brokerage houses	13.170.404	40.541	23.680	55.776	5.558
5. Conditional and unconditional exposures to corporates	11.517.149	6.240.853	10.240.925	17.142.783	69.101.544
6 Conditional and unconditional retail exposures	4.852.353	2.037.050	3.767.932	10.710.005	75.536.442
7. Past due items	1.358.160	-	-	-	-
8. Other Items	-	-	-	-	13.350.572
Total	32.763.034	8.839.104	15.315.254	31.161.266	241.929.886

^(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.^(**) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

Islamic International Rating Agency (IIRA) country ratings are taken into account in calculating the Bank's capital adequacy. For other portfolios, the ratings given by the Fitch Ratings are used for the counterparties resident abroad.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Islamic International Rating Agency (IIRA) notes are used in the "Central Government or Receivables from Central Banks" portfolio. Fitch Ratings' rating grades are used for the risk classes listed below, provided that they are resident abroad.

- Receivables on banks and intermediary institutions
- Receivables on regional governments or local authorities
- Receivables on administrative bodies and other non-commercial undertakings
- Receivables on multilateral development banks
- Corporate receivables

The relevant risk classification is used in determining the risk weights on a receivable that is classified as per the second section, Article 8 of the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks. In the absence of a specific rating, the provisions of paragraph a,b and c of Article 9 of the regulation mentioned should be used.

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables.

In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

Implementation of the risk weights to receivables from Regional Governments or local authorities are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weights to receivables from multilateral development banks except those listed in the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks, are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weight for unrated receivables from banks and intermediary institutions can not be lower than the risk weight of receivables from sovereigns which they are settled in.

Türkiye Halk Bankası A.Ş.*Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Credit Quality Grade and Rating Matching Table							
Credit Quality Grade	IIIRA			Fitch			
	Rating	Exposures to Central Governments or Central Banks	Rating	Exposures to administrative bodies and other non-commercial undertakings	Exposures to Banks and Brokerage Houses Exposures with Original Maturities Less Than 90 Days	Exposures with Original Maturities More Than 90 Days	Exposures to Corporates
1	AAA	0%	AAA	20%	20%	20%	20%
	AA+		AA+				
	AA		AA				
	AA-		AA-				
2	A+	20%	A+	50%	20%	50%	50%
	A		A				
	A-		A-				
3	BBB+	50%	BBB+	100%	20%	50%	100%
	BBB		BBB				
	BBB-		BBB-				
4	BB+	100%	BB+	100%	50%	100%	100%
	BB		BB				
	BB-		BB-				
5	B+	100%	B+	100%	50%	100%	150%
	B		B				
	B-		B-				
6	CCC+	150%	CCC+	150%	150%	150%	150%

Receivables from consolidated private sector:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
TURKEY	222.700.422	-	222.700.422
VIRGIN ISLAND(US)	1.417.305	-	1.417.305
CYPRUS	453.652	-	453.652
IRAN	124.303	-	124.303
SWEDEN	104.397	-	104.397
MACEDONIA	6.396	80.553	86.949
OTHERS ^(*)	15.892	-	15.892

* Risk-Weighted Assets TRY 6 Million (Full TRY) are grouped under OTHER headings.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1. Exposures before Credit Risk Mitigation	73.508.423	-	9.642.887	-	32.965.075	126.177.701	185.568.116	139.449	-	428.967	217.367
2. Exposures after Credit Risk Mitigation	94.611.740	844.508	11.256.495	39.424.628	63.770.557	69.339.342	148.614.932	139.449	-	428.967	217.367

Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1. Exposures before Credit Risk Mitigation	59.160.032	-	6.658.515	-	22.403.963	106.189.360	135.212.794	57.408	-	326.472	183.528
2. Exposures after Credit Risk Mitigation	78.862.370	19	7.780.790	34.321.095	47.898.809	57.378.496	103.383.085	57.408	-	326.472	183.528

Information by major sectors and type of counterparties:

Current Period

Major Sectors /Counterparties	Significant Increase in Credit Risk (Stage II) *	Credits	
		Credit – Impaired Losses (Stage III) **	Expected Credit Loss (TFRS 9)
Agriculture	61.571	94.426	83.701
Farming and Stockbreeding	43.700	81.747	73.186
Forestry	75	459	458
Fishery	17.796	12.220	10.057
Manufacturing	3.416.604	3.084.864	2.917.906
Mining and Quarrying	77.570	132.735	137.373
Production	2.849.228	2.950.818	2.770.526
Electricity, Gas and Water	489.806	1.311	10.007
Construction	3.455.401	1.001.285	1.020.615
Services	7.670.019	3.074.423	2.729.579
Wholesale and Retail Trade	2.980.358	2.041.457	1.693.754
Accommodation and Dining	697.975	529.816	393.511
Transportation and Telecommunication	402.501	75.085	81.280
Financial Institutions	848.267	11.384	70.776
Real Estate and Rental Services	2.519.288	304.117	379.895
Professional Services	43.507	10.065	8.609
Educational Services	83.983	21.452	22.513
Health and Social Services	94.140	81.047	79.241
Other	1.381.168	904.371	713.971
Total	15.984.763	8.159.369	7.465.772

*Income accruals amounting to TRY 722.649 are not included in the table.

**Income accruals amounting to TRY 368.479 are not included in the table.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Credits			
	Impaired Credits ⁽¹⁾	Past Due Credits ⁽²⁾	Value Adjustments	Provisions
Major Sectors /Counterparties				
Agriculture	92.544	11.286	226	75.414
Farming and Stockbreeding	83.166	10.576	212	67.562
Forestry	8.904	-	-	7.387
Fishery	474	710	14	465
Manufacturing	2.667.533	767.383	15.348	1.964.567
Mining and Quarrying	130.187	11.944	239	115.307
Production	2.536.388	376.176	7.524	1.848.302
Electricity, Gas and Water	958	379.263	7.585	958
Construction	1.132.829	101.161	2.023	986.511
Services	2.166.082	1.147.079	22.942	1.720.493
Wholesale and Retail Trade	1.305.353	700.327	14.007	933.779
Accommodation and Dining	144.007	69.559	1.391	118.590
Transportation and Telecommunication	91.226	169.100	3.382	58.400
Financial Institutions	11.834	941	19	10.740
Real Estate and Rental Services	537.563	163.078	3.262	532.337
Professional Services	-	26.058	521	-
Educational Services	6.885	6.614	132	3.752
Health and Social Services	69.214	11.402	228	62.895
Other	47.609	301.044	6.021	32.287
Total	6.106.597	2.327.953	46.560	4.779.272

⁽¹⁾ Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

⁽²⁾ Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

Movements in value adjustments and provisions:

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments*	Closing Balance
1. Stage III expected credit loss	4.779.272	1.696.341	(311.309)	118.988	6.283.292
2. Stage I and Stage II expected credit loss	2.134.958	471.301	(140)	(438.898)	2.167.221

*Includes ECL amounts arising from the TFRS 9 transition effect.

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Specific Provisions	3.964.045	1.120.888	305.661	-	4.779.272
2. General Provisions	2.027.964	260.737	-	-	2.288.701

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The table below shows the maximum risk exposure to credit risk for the components of the financial statements.

Gross Maximum Exposure	Current Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	34.957.050
Due from Banks	5.140.743
Money Market Receivables	-
Financial Assets at Fair Value through Profit or Loss ⁽¹⁾	122.319
Financial Assets at Fair Value through Other Comprehensive Income	3.845.854
Financial Assets Measured at Amortised Cost	56.073.053
Loans	250.623.713
Total	350.762.732
Contingent Liabilities	83.039.825
Commitments	25.772.606
Total	108.812.431
Total Credit Risk Exposure	459.575.163

⁽¹⁾ As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Gross Maximum Exposure	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	36.373.039
Due from banks	6.093.940
Money Market Receivables	1.258.647
Financial Assets at Fair Value through profit or loss ⁽¹⁾	447.477
Financial Assets Available for Sale	16.965.743
Held to maturity Investments	21.727.169
Loans	203.464.477
Total	286.330.492
Contingent Liabilities	58.534.648
Commitments	23.995.694
Total	82.530.342
Total Credit Risk Exposure	368.860.834

⁽¹⁾ As of 31 December 2017, TRY 10.000.429 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

The net value and type of collaterals of the loans amounting TRY 15.984.763 followed under loans and other receivables under close monitoring section is below (31 December 2017: TRY 5.029.505)

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Collateral Types^{(1),(2)}	Net Value of Collateral Current Period
Real estate mortgage	8.858.842
Salary pledge, vehicle pledge and pledge of commercial undertaking	346.283
Financial collaterals (cash, securities pledge, etc.)	20
Cheque / bills	71.310
Sureties	2.902.069
Other	3.806.239
Total	15.984.763

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.⁽²⁾ Income accruals amounting to TRY 722.649 (31 December 2017: TRY 37.208) are not included in the table.

Collateral Types^{(1),(2)}	Net Value of Collateral Prior Period
Real estate mortgage	3.067.736
Salary pledge, vehicle pledge and pledge of commercial undertaking	120.324
Financial collaterals (cash, securities pledge, etc.)	-
Cheque / bills	11.068
Sureties	808.030
Other	1.022.347
Total	5.029.505

The net value and type of collaterals belongs to loans amounted TRY 8.527.848 followed under non-performing loans section is below (31 December 2017: TRY 6.106.597):

Collateral Types⁽²⁾	Net Value of Collateral Current Period
Cash	4.638
Mortgage	2.013.867
Pledge	365.992
Cheque / bills	3.142
Sureties	4.203.026
Other ⁽¹⁾	1.568.704
Total	8.159.369

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.⁽²⁾ Income accruals amounting to TRY 368.479 are not included in the table.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Collateral Types	Net Value of Collateral Prior Period
Cash	271
Mortgage	1.582.949
Pledge	222.408
Cheque / bills	1.954
Sureties	1.662.084
Other ⁽¹⁾	2.636.931
Total	6.106.597

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

III. EXPLANATIONS ON CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the foreign currency position risk of the Group is measured by "standard method" and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank as at 31 December 2018 and the previous five working days in full TRY are as follows:

	24.12.2018	25.12.2018	26.12.2018	27.12.2018	28.12.2018	31.12.2018
USD	5,2700000	5,2700000	5,2500000	5,2600000	5,2400000	5,2700000
CHF	5,3190000	5,3349000	5,2809000	5,3113000	5,3430000	5,3330000
GBP	6,6944000	6,6718000	6,6481000	6,6339000	6,6417000	6,7352000
JPY	0,0476143	0,0477547	0,0473864	0,0473653	0,0474549	0,0478372
EUR	6,0207000	5,9941000	5,9792000	5,9938000	6,0082000	6,0265000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2018 are as follows:

	Buying rate of exchange
USD	5,2942857
CHF	5,3310667
GBP	6,7011476
JPY	0,0471538
EUR	6,0263810

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.542.910	9.638.013	5.793.251	30.974.174
Banks	996.574	3.599.837	363.417	4.959.828
Financial assets at fair value through profit and loss ⁽³⁾	-	21.455	-	21.455
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	814.044	608.569	-	1.422.613
Loans ⁽²⁾	43.545.645	41.380.543	812.351	85.738.539
Subsidiaries, associates and entities under common control ⁽⁵⁾	415.828	-	987.369	1.403.197
Financial assets measured at amortised cost	-	10.962.386	-	10.962.386
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	100	100
Intangible assets	-	-	-	-
Other assets ⁽³⁾	234.097	1.718.911	9.145	1.962.153
Total assets	61.549.098	67.929.714	7.965.633	137.444.445
Liabilities				
Bank deposits	8.692.494	5.558.218	714.885	14.965.597
Foreign currency deposits	45.318.529	44.216.578	4.336.111	93.871.218
Money market balances	-	5.402.273	-	5.402.273
Funds provided from other financial institutions	6.761.282	4.774.083	8.264	11.543.629
Bonds issued	-	12.024.839	-	12.024.839
Sundry creditors	135.133	151.566	46	286.745
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	359.014	587.613	68.167	1.014.794
Total liabilities	61.266.452	72.715.170	5.127.473	139.109.095
Net balance sheet position	282.646	(4.785.456)	2.838.160	(1.664.650)
Net off-balance sheet position	(310.646)	4.242.088	(1.863.820)	2.067.622
Financial derivative assets ⁽⁴⁾	1.429.164	10.031.927	941.418	12.402.509
Financial derivative liabilities ⁽⁴⁾	1.739.810	5.789.839	2.805.238	10.334.887
Non-cash loans ⁽¹⁾	22.836.419	21.002.596	2.032.875	45.871.890
Prior period				
Total assets	40.389.094	57.961.241	6.047.695	104.398.030
Total liabilities	41.069.948	60.744.843	3.540.566	105.355.357
Net balance sheet position	(680.854)	(2.783.602)	2.507.129	(957.327)
Net off-balance sheet position	249.023	2.546.085	(2.001.930)	793.178
Financial derivative assets	1.071.425	5.978.381	1.242.307	8.292.113
Financial derivative liabilities	822.402	3.432.296	3.244.237	7.498.935
Non-cash loans ⁽¹⁾	12.468.340	16.381.903	1.462.430	30.312.673

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 764.208 of foreign currency indexed loans and their accruals.

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", prepaid expenses (TRY 341) in assets; and shareholders' equity (TRY 124.299) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 89.699. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.149.770. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Other foreign currency subsidiaries Halkbank A.D. Beograd (TRY 406.512) and Halk Banka AD Skopje (TRY 580.857), and Euro foreign currency associate Demir-Halk Bank NV (TRY 415.828) are included.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. EXPLANATIONS ON INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Bank. The Bank's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the capital adequacy standard ratio.

The priority of the Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency as per the authority extended by the Board of Directors.

The Bank does not allow or limits interest rate mismatch and therefore, significant interest rate risk exposures is not expected.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates):

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	16.093.521	-	-	-	-	18.863.529	34.957.050
Banks and financial institutions	3.497.158	-	4.000	-	-	1.639.585	5.140.743
Financial assets at fair value through profit and loss	50.564	-	50.092	185	21.478	14.374.380	14.496.699
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	653.968	1.019.806	1.892.010	280.070	141.340	3.987.194
Loans	37.534.966	33.990.655	98.206.961	61.221.795	14.092.705	5.576.631	250.623.713
Financial assets measured at amortised cost	326.618	16.991.193	7.893.787	10.657.616	20.203.839	-	56.073.053
Other assets ⁽⁴⁾	830.862	2.840	7.760	26.791	1.328	12.274.022	13.143.603
Total assets	58.333.689	51.638.656	107.182.406	73.798.397	34.599.420	52.869.487	378.422.055
Liabilities							
Bank deposits	8.615.098	1.529.114	10.000	-	-	20.787.230	30.941.442
Other deposits	119.237.546	47.476.465	17.240.991	388.921	1.752	33.568.137	217.913.812
Money market balances	37.129.670	842.273	-	-	-	190.118	38.162.061
Sundry creditors	2.390.541	-	-	-	-	2.189.240	4.579.781
Bonds issued	673.665	1.338.032	2.634.853	10.208.711	-	192.717	15.047.978
Funds provided from other financial institutions ⁽³⁾	254.331	5.159.773	2.934.349	2.425.903	1.043.018	98.653	11.916.027
Other liabilities ^{(1), (2)}	1.150.250	7	26.889	14.529.699	6.870.185	37.283.924	59.860.954
Total liabilities	169.451.101	56.345.664	22.847.082	27.553.234	7.914.955	94.310.019	378.422.055
Balance sheet long position	-	-	84.335.324	46.245.163	26.684.465	-	157.264.952
Balance sheet short position	(111.117.412)	(4.707.008)	-	-	-	(41.440.532)	(157.264.952)
Off-balance sheet long position	1.032.864	1.415.000	4.506.341	1.139.324	3.208.897	13.021.620	24.324.046
Off-balance sheet short position	(646.460)	(1.054.000)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.883.468)
Total position	(110.731.008)	(4.346.008)	84.756.944	45.401.253	26.684.465	(41.325.068)	440.578

⁽¹⁾ TRY 452.769 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.⁽²⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.⁽³⁾ Funds provided from other financial institutions include borrowings.⁽⁴⁾ Net of follow-up loans amounting TRY 2.244.556 is disclosed under the non-bearing interest column in other assets.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior period	Up to 1month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	26.154.546	-	-	-	-	10.218.493	36.373.039
Banks and financial institutions	5.050.173	-	4.000	-	-	1.039.767	6.093.940
Financial assets at fair value through profit and loss	70.107	1.503	13.667	253	27	10.362.349	10.447.906
Money market placements	1.255.978	-	-	-	-	2.669	1.258.647
Financial assets available-for-sale	220.218	3.279.889	1.744.195	4.311.486	7.409.955	123.806	17.089.549
Loans	91.735.652	22.798.262	46.177.314	30.756.615	7.754.680	2.914.629	202.137.152
Held-to-maturity investments	255.657	8.649.762	1.495.694	4.442.939	6.883.117	-	21.727.169
Other assets ⁽⁴⁾	4.376	3.314	10.234	34.334	4.657	10.166.331	10.223.246
Total assets	124.746.707	34.732.730	49.445.104	39.545.627	22.052.436	34.828.044	305.350.648
Liabilities							
Bank deposits	13.009.651	2.077.415	198.569	-	-	3.865.737	19.151.372
Other deposits	98.453.291	36.086.448	13.653.224	282.997	2.565	25.597.172	174.075.697
Money market balances	33.517.186	1.046.179	-	-	-	44.619	34.607.984
Sundry creditors	1.668.238	-	-	-	-	1.889.108	3.557.346
Bonds issued	674.164	1.940.081	99.514	8.510.538	-	130.367	11.354.664
Funds provided from other financial institutions ⁽³⁾	735.425	5.585.548	7.336.160	2.147.154	1.087.198	126.633	17.018.118
Other liabilities ⁽¹⁾⁽²⁾	1.325.846	2.398.788	10.000.429	-	-	31.860.404	45.585.467
Total liabilities	149.383.801	49.134.459	31.287.896	10.940.689	1.089.763	63.514.040	305.350.648
Balance sheet long position	-	-	18.157.208	28.604.938	20.962.673	-	67.724.819
Balance sheet short position	(24.637.094)	(14.401.729)	-	-	-	(28.685.996)	(67.724.819)
Off-balance sheet long position	379.000	568.500	2.919.781	819.361	1.902.329	8.888.422	15.477.393
Off-balance sheet short position	-	(568.500)	(2.532.191)	(1.424.801)	(1.902.329)	(8.935.077)	(15.362.898)
Total position	(24.258.094)	(14.401.729)	18.544.798	27.999.498	20.962.673	(28.732.651)	114.495

⁽¹⁾ TRY 570.408 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽³⁾ Funds provided from other financial institutions include borrowings.

⁽⁴⁾ TRY 1.327.325 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	2,00	-	13,00
Due from other banks and financial institutions ⁽¹⁾	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	18,62
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,05	5,83	-	24,36
Loans ⁽²⁾	5,28	7,48	1,54	16,53
Financial assets measured at amortised cost	-	5,61	-	21,94
Liabilities				
Bank deposits	2,98	5,30	-	24,33
Other deposits ⁽⁴⁾	2,53	4,65	0,25	20,63
Money market borrowings	-	4,55	-	23,35
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	16,46
Funds provided from other financial institutions	0,85	2,80	1,40	12,07

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.⁽³⁾ Declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2018.⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2018.⁽⁵⁾ Average interest rates for reserve requirements of the Central Bank.

Prior Period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	1,25	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,08	1,41	-	13,25
Financial assets at fair value through profit and loss	1,10	1,86	-	9,17
Money market placements	-	-	-	12,75
Available-for-sale financial assets	4,65	5,46	-	15,15
Loans ⁽²⁾	4,79	6,42	0,84	13,12
Held-to-maturity investments	-	5,89	-	18,35
Liabilities				
Bank deposits	1,68	4,24	0,10	10,67
Other deposits ⁽⁴⁾	1,71	3,50	0,25	12,02
Money market borrowings	-	2,43	-	12,74
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	12,95
Funds provided from other financial institutions	0,83	2,97	0,84	6,95

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.⁽³⁾ Declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2017.⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2017.⁽⁵⁾ Average interest rates for reserve requirements of the Central Bank.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

3. The interest rate risk of the banking book items:

Standard interest rate shock methods are being used in respect of measuring the risk arising from re-pricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and re-pricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

Current Period		Gains/Shareholders' Equity –Losses/	
Currency	Applied Shock (+/- x basis point)	Gains/Losses	Shareholders' Equities
1 TRY	500	(4.147.592)	(11,17%)
	(400)	3.990.457	10,75%
2 EUR	200	610.795	1,64%
	(200)	(654.359)	(1,76%)
3 USD	200	(1.027.985)	(2,77%)
	(200)	1.493.270	4,02%
Total (For negative shocks)		4.829.368	13,01%
Total (For positive shocks)		(4.564.782)	(12,30%)

Prior Period		Gains/Shareholders' Equity –Losses/	
Currency	Applied Shock (+/- x basis point)	Gains/Losses	Shareholders' Equities
1 TRY	500	(4.233.277)	(14,86%)
	(400)	4.242.774	14,89%
2 EUR	200	508.529	1,78%
	(200)	(410.052)	(1,44%)
3 USD	200	(652.368)	(2,29%)
	(200)	1.060.994	3,72%
Total (For negative shocks)		4.893.716	17,17%
Total (For positive shocks)		(4.377.116)	(15,37%)

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. EXPLANATIONS ON POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison			
	Carrying Value	Fair Value Change	Market Value	Capital Requirements
Investment in Shares-Grade A	432.290	432.290	432.290	34.583
Quoted Securities ⁽¹⁾	432.290	432.290	432.290	34.583
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D ⁽²⁾	492.895	492.895	-	39.432
Other	3.862.170	3.845.614	-	360.450

⁽¹⁾ The Bank's subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.⁽²⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Revaluated appreciation in the fair value		Unrealized gains and losses	
	Realized gains (losses) in the current period	Included To Supplementary Capital	Included To Core Capital	Included to Supplementary Capital
1. Private equity investments	-	-	-	-
2. Share certificates quoted on a stock exchange ⁽¹⁾ ⁽²⁾	-	246.567	-	-
3. Other share certificates	-	1.449.298	-	-
Total	-	1.695.865	-	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

To detect liquidity risk, Bank Liquidity Emergency Action Plan (LEAP) has been formed. Cash flow analysis methods include commission totals and tax totals, besides initial capital interest totals. The sections that are in the balance sheet are monitored by Risk Management Department Head and include the days until maturity which are canalized to the maturity bands that are predetermined; the liquidity availability are then detected and liquidity analysis performed. Thus, quantification of liquidity risk is established.

The Bank's purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity gap analysis on the maturity remained day basis and projected ratios stated in "Liquidity Emergency Plan (LAEP)" are followed within the scope of liquidity risk measurement under this purpose. The Bank's liquidity risk are digitized by daily follow-ups with first and second degree warnings for determined ratios relating to balance-sheet, liquidity deficit in all maturity gap and the Bank's position against such ratios.

The upper limits of the Bank consist of the following: max lending amount of TRY and FC category on all maturity in interbank OTC markets, the upper limit of repurchase and reverse repurchase transactions in TRY and FC category on all maturity in the interbank OTC markets, the maximum foreign exchange position limits that can be carried, and finally; the upper limit relating to forward and swap transactions is determined on the that the whole term of TRY and foreign currency denominated, forward and the upper limit relating to swap transactions is determined.

The extension of the maturity structure of term deposits reflects the primary funding source for the Bank; the development of new products that encourage saving and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for issuing bonds based on Turkish Lira to provide long term funding resource for the purposes of extending maturity structure of liabilities besides deposits.

For the purposes of utilizing advantage of the new borrowing facilities in line with the needs of the bank, alternative fund resources in parallel with the close monitoring of price/cost movements in international capital markets and compliance with the conditions are evaluated.

The reduction of liquidity risk is provided by effective collateral management structure. The Bank participates in the organized markets (CBRT, BIST and TAKASBANK). Debt upper limits and balance sheet size are determined under certain criteria by the relevant authorities. Existing limits available to use are continuously monitored with the cooperation of Treasury Management Middle Office and Treasury Operations Department though the Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

Effects of macro size balance sheet changes or important changes of market data on bank liquidity; based on legal liquidity ratio and according to liquidity emergency action plan, analysis is made on the effects of the ratios that are being followed. Whether originated from the Bank or the market, under the condition that the potential stress tests are applied, the legal and internal changes on liquidity ratio and their effects of bank liquidity is quantified.

Moreover, to analyze the withdrawal rates of time deposits, the core deposit analysis is performed relating to deposit items based on each currency type.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

According to "Regulation for Banks' Liquidity Coverage Ratio Calculations" (the Regulation), Liquidity Coverage Ratio (LCR), aiming banks having the ability to cover net cash outflows with high quality liquid assets, is calculated by using high quality liquid assets divided by net cash outflows to be realized within 30 days. In both unconsolidated and consolidated basis, the legal minimum limits of the LCR ratio for the total and foreign currency should be 90% and 70% for 2018 respectively, and 100% and 80% in 2019 respectively.

In 2018, foreign currency and total liquidity coverage ratios did not fall below the legal limits. The Bank's cash inflows did not exceed 75% of cash outflows and high quality liquid assets are composed of 7,08% cash, 46,02% central banks, 46,41% securities considered as high quality liquid assets.

Main funding source composition is composed of 72,89% deposits, 4,33% funds borrowed, 11,18% money market borrowings, 4,41% securities issued and 1,82% subordinated debt instruments. As in the previous period, derivative transactions did not generate a net cash outflow that would negatively affect the liquidity position.

The cash outflows from derivative financial instruments and other liabilities are calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, is TRY 1.470.488.

The Bank does not have any operational or legal restrictions on liquidity transfer to subsidiaries or foreign branches. Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

Liquidity ratios and its daily changes monitored under calculated "Liquidity Coverage Ratio" and "Liquidity Emergency Action Plan" within the scope of the Regulation on "Banks' Liquidity Coverage Ratio Calculation" prepared by BRSA and then they are notified to the Audit Committee and the Asset-Liability Committee regularly.

Throughout the current period, Bank's Liquidity Coverage Ratio's lowest and highest values and the weeks these values are monitored are given in the table below:

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	24.12.2018	175,29	24.12.2018	138,05
	30.12.2018		30.12.2018	
Minimum	01.10.2018	132,64	01.10.2018	90,29
	07.10.2018		07.10.2018	

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			53.548.927	26.490.737
Cash Outflows				
Retail and Small Business Customers, of which;	117.269.443	44.798.169	10.455.442	4.479.817
Stable Deposits	25.430.055	-	1.271.503	-
Less Stable Deposits	91.839.388	44.798.169	9.183.939	4.479.817
Unsecured wholesale funding , of which;	103.093.631	45.323.571	42.320.022	19.834.657
Operational Deposits	35.321.677	10.662.628	8.830.419	2.665.657
Non-operational Deposits	62.172.418	31.656.223	28.650.071	14.640.113
Other Unsecured Funding	5.599.536	3.004.720	4.839.532	2.528.887
Secured Funding			-	-
Other cash outflows, of which;	7.984.120	4.929.059	3.826.946	2.655.849
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	347.969	778.628	347.969	778.628
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	7.636.151	4.150.431	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet				
Obligations	99.664.172	42.704.070	7.991.349	3.477.943
Total Cash Outflows			64.593.759	30.448.266
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	25.940.951	11.734.050	18.347.893	9.836.691
Other Cash Inflows	188.791	2.008.440	188.791	2.008.440
Total Cash Inflows	26.129.742	13.742.490	18.536.684	11.845.131
			Total Adjusted Value	
Total HQLA Stock			53.548.927	26.490.737
Total Net Cash Outflows			46.057.075	18.603.135
Liquidity Coverage Ratio (%)			116,32%	143,36%

⁽¹⁾ Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			42.608.988	26.685.146
Cash Outflows				
Retail and Small Business Customers, of which;	91.173.619	34.600.675	7.950.079	3.460.068
Stable Deposits	23.345.656	-	1.167.283	-
Less Stable Deposits	67.827.963	34.600.675	6.782.796	3.460.068
Unsecured wholesale funding , of which;	77.605.222	36.568.784	42.389.795	21.631.394
Operational Deposits	1.213.026	18.620	303.257	4.655
Non-operational Deposits	70.411.775	33.102.269	37.023.049	18.907.154
Other Unsecured Funding	5.980.421	3.447.895	5.063.489	2.719.585
Secured Funding			-	-
Other cash outflows, of which;	5.377.746	3.152.691	2.468.276	1.635.734
Derivatives cash outflow and liquidity needs relat- ed to market valuation changes on derivatives or other transactions	45.403	392.995	45.403	392.995
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	5.332.343	2.759.696	2.422.873	1.242.739
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off- balance sheet obligations	76.855.216	28.709.981	5.963.044	2.296.340
Total Cash Outflows			58.771.194	29.023.536
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	27.242.440	14.370.514	20.306.320	13.051.159
Other Cash Inflows	-	-	-	-
Total Cash Inflows	27.242.440	14.370.514	20.306.320	13.051.159
			Total Adjusted Value	
Total HQLA Stock			42.608.988	26.685.146
Total Net Cash Outflows			38.464.874	15.972.377
Liquidity Coverage Ratio (%)			111,13%	171,91%

⁽¹⁾ Calculated by simple arithmetic average, monthly consolidated average calculated for the last three months of the liquidity coverage ratio, also calculated weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

1. Presentation of assets and liabilities according to their remaining maturities:

The Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	4.418.038	30.539.012	-	-	-	-	-	34.957.050
Banks	1.911.278	3.225.155	-	4.310	-	-	-	5.140.743
Financial assets at fair value through profit and loss	-	50.564	-	14.424.472	185	21.478	-	14.496.699
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	50.757	909.581	2.557.538	327.978	141.340	3.987.194
Loans ⁽²⁾	2.912.739	13.700.685	14.791.709	76.110.176	110.594.402	32.514.002	-	250.623.713
Financial assets measured at amortised cost	-	1.846	734.261	3.273.371	23.573.791	28.489.784	-	56.073.053
Other assets ⁽²⁾	2.780	477.795	469.454	353.454	577.339	30.996	11.231.785	13.143.603
Total assets	9.244.835	47.995.057	16.046.181	95.075.364	137.303.255	61.384.238	11.373.125	378.422.055
Liabilities								
Bank deposits	20.729.135	8.667.082	1.534.825	10.400	-	-	-	30.941.442
Other deposits	31.793.746	120.251.973	47.963.354	17.509.166	393.821	1.752	-	217.913.812
Funds provided from other financial institutions ⁽³⁾	36	213.793	1.395.524	2.857.126	4.670.856	2.778.692	-	11.916.027
Money market balances	-	35.183.566	328.017	-	2.123.478	527.000	-	38.162.061
Bonds issued	-	735.098	1.460.023	2.644.147	10.208.710	-	-	15.047.978
Sundry creditors	15.882	1.998.041	126.664	537.788	1.630.004	5.414	265.988	4.579.781
Other liabilities ⁽¹⁾	178.187	4.991.332	307.037	14.941.572	311.297	8.190.626	30.940.903	59.860.954
Total liabilities	52.716.986	172.040.885	53.115.444	38.500.199	19.338.166	11.503.484	31.206.891	378.422.055
Liquidity gap	(43.472.151)	(124.045.828)	(37.069.263)	56.575.165	117.965.089	49.880.754	(19.833.766)	-
Net off balance sheet position	-	44.220	(121.257)	(8.676)	526.291	-	-	440.578
Derivative financial assets	-	8.365.005	1.275.142	4.617.257	3.648.848	6.417.794	-	24.324.046
Derivative financial liabilities	-	(8.320.785)	(1.396.399)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.883.468)
Non-cash loans	2.567.374	3.295.072	5.997.297	29.566.343	16.377.306	25.236.433	-	83.039.825
Prior Period								
Total Assets	5.149.058	53.158.727	13.867.852	73.329.452	104.264.045	46.619.908	8.961.606	305.350.648
Total Liabilities	28.397.362	150.468.979	44.118.006	35.517.499	14.790.779	5.774.906	26.283.117	305.350.648
Liquidity Gap	(23.248.304)	(97.310.252)	(30.250.154)	37.811.953	89.473.266	40.845.002	(17.321.511)	-
Net off balance sheet position	-	(29.806)	(20.208)	11.949	152.560	-	-	114.495
Derivative financial assets	-	5.298.182	1.371.077	2.606.753	2.396.724	3.804.657	-	15.477.393
Derivative financial liabilities	-	(5.327.988)	(1.391.285)	(2.594.804)	(2.244.164)	(3.804.657)	-	(15.362.898)
Non-cash loans	19.842.448	2.091.386	4.521.027	18.586.996	12.401.691	1.091.100	-	58.534.648

⁽¹⁾ Shareholders' equity is disclosed in other liabilities line under the undistributed column.

⁽²⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses are disclosed in other assets under the undistributed column.

⁽³⁾ Funds provided from other financial institutions include borrowings.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	181.681.653	50.297.860	18.640.620	511.690	2.180	(2.278.749)	248.855.254
Funds provided from other financial intuitions	214.523	1.420.946	2.989.372	5.081.929	3.156.489	(947.232)	11.916.027
Money market borrowings	35.262.078	336.034	108.059	2.292.146	703.800	(540.056)	38.162.061
Securities issued	747.875	1.563.635	3.030.039	11.429.907	-	(1.723.478)	15.047.978
Funds	178.780	4.497	118.765	311.297	2.260.831	(49)	2.874.121
Total	218.084.909	53.622.972	24.886.855	19.626.969	6.123.300	(5.489.564)	316.855.441

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	138.702.472	40.785.201	14.501.959	393.024	2.583	(1.158.170)	193.227.069
Funds provided from other financial intuitions	766.065	2.601.592	7.225.376	4.385.424	2.734.008	(694.347)	17.018.118
Money market borrowings	33.572.546	1.054.913	-	-	-	(19.475)	34.607.984
Securities issued	725.875	2.079.645	342.467	9.247.008	-	(1.040.331)	11.354.664
Funds	92.303	13.766	127.641	274.391	2.246.745	(30.212)	2.724.634
Total	173.859.261	46.535.117	22.197.443	14.299.847	4.983.336	(2.942.535)	258.932.469

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

Analysis of Bank's derivative financial instruments according to their remaining maturities:

Current Period: ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.605.673	871.411	952.254	-	-	5.429.338
Forward Contracts - Sell	1.731.132	653.285	850.428	-	-	3.234.845
Swaps - Buy	5.398.995	425.234	1.003.129	1.370.200	-	8.197.558
Swaps - Sell	5.394.184	539.119	1.113.630	843.910	-	7.890.843
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	89.699	-	-	-	-	89.699
Forward Precious Metal - Sell	1.925.522	224.248	-	-	-	2.149.770
Money Buy Options	218.558	49.200	2.661.875	-	-	2.929.633
Money Sell Options	218.538	49.200	2.661.875	-	-	2.929.613
Swaps Interest - Buy	-	-	-	2.278.648	6.417.794	8.696.442
Swaps Interest - Sell	-	-	-	2.278.648	6.417.794	8.696.442
Total	18.582.301	2.811.697	9.243.191	6.771.406	12.835.588	50.244.183

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.036.669.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period: ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.341.667	1.451.710	1.521.700	-	-	6.315.077
Forward Contracts - Sell	1.501.366	663.002	1.518.340	-	-	3.682.708
Swaps - Buy	2.063.721	-	387.590	758.000	-	3.209.311
Swaps - Sell	2.061.605	-	379.000	605.440	-	3.046.045
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	24.982	-	-	-	-	24.982
Forward Precious Metal - Sell	1.896.450	808.986	-	-	-	2.705.436
Money Buy Options	239.927	2.822	697.462	-	-	940.211
Money Sell Options	239.926	2.822	697.462	-	-	940.210
Swaps Interest - Buy	-	-	-	1.638.724	3.804.657	5.443.381
Swaps Interest - Sell	-	-	-	1.638.724	3.804.657	5.443.381
Total	11.369.644	2.929.342	5.201.554	4.640.888	7.609.314	31.750.742

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 910.451.

VII. EXPLANATIONS ON LEVERAGE RATIO

Leverage ratio calculated according to the article "Regulation Regarding the Measurement and Evaluation of Banks' Leverage Level" published in the Official Gazette No. 28812 dated 5 November 2013 is as follows.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	373.308.958	299.192.752
2.Assets that are deducted from core capital	(198.802)	(157.786)
3.Total on balance sheet exposures	373.110.156	299.034.966
Derivative exposures and credit derivatives		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.060.813	445.528
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	301.456	228.995
6.The total amount of risk on derivative financial instruments and credit derivatives	1.362.269	674.523
Investment securities or commodity collateral financing transactions		
7.The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.524.846	1.100.207
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	1.524.846	1.100.207
Off -Balance Sheet Items		
10.Gross notional amount of off-balance sheet items	107.657.161	85.128.086
11.Adjustments for conversion to credit equivalent amounts	-	-
12.The total risk of off-balance sheet items	107.657.161	85.128.086
Capital and Total Exposures		
13.Tier 1 Capital	28.323.502	24.481.121
14.Total Exposures	483.654.432	385.937.782
Leverage Ratio		
15.Leverage Ratio	5,86%	6,34%

⁽¹⁾ The amounts in the table represent three-month averages.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VIII. EXPLANATIONS ON BUSINESS SEGMENTATION

The Bank's operations are grouped under the corporate, commercial, integrated banking and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SMEs) as well as individual consumers. In this context, the Bank has no restrictions on the area in which it operates.

The Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real persons without having any commercial or professional purposes other than their individual demands in the Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided by the Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money market transactions,
- Rendering insurance agency transactions and individual pension services,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement organised by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments in the secondary market for the purpose of performing intermediary services,
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a custodian in order to keep client's assets related to individual portfolio management of portfolio management companies,
- Acting as a portfolio management agency.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2018 are presented in the table below.

Current Period (1 January - 31 December 2018)	Corporate	Commercial	SME/ Integrated	Treasury / Investment	Total
OPERATING INCOME / EXPENSES					
Interest income	3.740.209	5.295.797	20.166.245	7.468.587	36.670.838
Interest on loans	3.739.527	5.295.359	19.700.018	76.923	28.811.827
Interest income on marketable securities	-	-	441.185	6.603.469	7.044.654
Interest received from banks	-	-	6	630.169	630.175
Other interest income	682	438	25.036	158.026	184.182
Interest expense	2.493.195	1.384.517	15.455.276	9.258.272	28.591.260
Interest on deposits	2.489.426	1.347.387	15.110.679	1.772.085	20.719.577
Interest on borrowings	669	8.863	41.519	411.068	462.119
Interest on money market borrowings	-	-	184.063	5.511.919	5.695.982
Interest on marketable bonds issued	-	-	-	1.463.544	1.463.544
Other interest expense	3.100	28.267	119.015	99.656	250.038
Net interest income / (loss)	1.247.014	3.911.280	4.710.969	(1.789.685)	8.079.578
Net fees and commissions income	361.880	330.610	979.116	278.051	1.949.657
Net trading profit / (loss)	3.364	11.664	1.024.491	(890.264)	149.255
Dividend income	-	-	-	510.357	510.357
Other income	38.566	113.606	318.097	154.205	624.474
Expected credit loss	455.554	606.701	1.119.258	953.560	3.135.073
Other expenses	37.572	83.292	2.119.558	3.220.008	5.460.430
Income before taxes	1.157.698	3.677.167	3.793.857	(5.910.904)	2.717.818
Income tax provision	-	-	-	(196.023)	(196.023)
Net profit for the period	1.157.698	3.677.167	3.793.857	(6.106.927)	2.521.795
SEGMENT ASSETS (31 December 2018)					
Marketable securities	-	-	8.756.221	65.800.725	74.556.946
Derivative financial assets	-	-	102.003	959.477	1.061.480
Banks and money market receivables	-	-	2.088	5.138.655	5.140.743
Associates and subsidiaries (net)	-	-	-	4.770.799	4.770.799
Loans	44.013.011	51.605.358	152.062.318	2.943.026	250.623.713
Other assets ⁽¹⁾	87.096	659.517	2.793.595	38.728.166	42.268.374
TOTAL ASSETS	44.100.107	52.264.875	163.716.225	118.340.848	378.422.055
SEGMENT LIABILITIES (31 December 2018)					
Deposits	57.968.918	26.420.864	141.103.733	23.361.739	248.855.254
Derivative financial liabilities	-	-	53.332	357.106	410.438
Money market balances	-	-	5.402.273	32.759.788	38.162.061
Borrowing funding loans	18.183	375.649	1.114.372	10.407.823	11.916.027
Bonds issued	-	-	-	15.047.978	15.047.978
Other liabilities	702.546	481.589	7.070.252	23.778.483	32.032.870
Provisions and tax payable	114.122	131.949	288.821	2.441.800	2.976.692
Shareholders' equity	1.298.084	3.650.485	3.392.443	20.679.723	29.020.735
TOTAL LIABILITIES	60.101.853	31.060.536	158.425.226	128.834.440	378.422.055
OFF BALANCE SHEET ITEMS (31 December 2018)					
Guarantees and sureties	23.734.433	22.867.737	23.260.633	13.177.022	83.039.825
Commitments	77.333	888.889	9.648.799	15.482.619	26.097.640
Derivative financial instruments	-	-	12.025.139	36.182.375	48.207.514

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period (1 January-31 December 2017)	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	2.189.358	3.272.456	13.414.498	4.217.682	23.093.994
Interest on loans	2.187.601	3.271.343	13.148.169	352.388	18.959.501
Interest income on marketable securities	-	-	254.258	3.448.714	3.702.972
Interest received from banks	-	-	1	227.092	227.093
Other interest income	1.757	1.113	12.070	189.488	204.428
Interest expense	1.728.261	726.547	8.274.963	4.563.622	15.293.393
Interest on deposits	1.727.462	695.437	8.085.971	830.927	11.339.797
Interest on borrowings	661	6.907	27.289	345.946	380.803
Interest on money market borrowings	-	-	77.608	2.590.195	2.667.803
Interest on marketable bonds issued	-	-	-	789.909	789.909
Other interest expense ⁽²⁾	138	24.203	84.095	6.645	115.081
Net interest income	461.097	2.545.909	5.139.535	(345.940)	7.800.601
Net fees and commissions income	245.201	431.532	1.089.806	260.769	2.027.308
Net trading profit / (loss)	710	5.172	244.722	(214.735)	35.869
Dividend income	-	-	-	267.214	267.214
Other income	42.811	74.615	358.812	124.397	600.635
Impairment losses on loans and other receivables	17.973	443.525	581.533	426.296	1.469.327
Other expenses	30.307	69.703	1.822.805	2.629.903	4.552.718
Income before taxes	701.539	2.544.000	4.428.537	(2.964.494)	4.709.582
Income tax provision	-	-	-	(984.120)	(984.120)
Net profit for the period	701.539	2.544.000	4.428.537	(3.948.614)	3.725.462
SEGMENT ASSETS (31 December 2017)					
Marketable securities	-	-	5.489.437	43.413.266	48.902.703
Derivative financial assets held for trading	-	-	79.852	282.069	361.921
Banks and money market receivables	-	-	289	7.352.298	7.352.587
Associates and subsidiaries (net)	-	-	-	3.959.500	3.959.500
Loans	30.705.417	41.267.495	127.277.838	4.213.727	203.464.477
Other assets	90.690	264.257	1.885.260	39.069.253	41.309.460
TOTAL ASSETS	30.796.107	41.531.752	134.732.676	98.290.113	305.350.648
SEGMENT LIABILITIES (31 December 2017)					
Deposits	30.068.341	16.011.238	136.068.623	11.078.867	193.227.069
Derivative financial liabilities held for trading	-	-	46.160	104.362	150.522
Money market balances	-	-	4.140.748	30.467.236	34.607.984
Borrowing funding loans	9.973	233.252	954.275	15.820.618	17.018.118
Bonds issued	-	-	-	11.354.664	11.354.664
Other liabilities	286.437	379.543	6.336.644	11.964.753	18.967.377
Provisions and tax payable	57.741	88.335	252.213	4.249.886	4.648.175
Shareholders' equity	767.670	2.565.774	4.065.401	17.977.894	25.376.739
TOTAL LIABILITIES	31.190.162	19.278.142	151.864.064	103.018.280	305.350.648
OFF BALANCE SHEET ITEMS (31 December 2017)					
Guarantees and sureties	15.680.596	13.990.756	17.241.640	11.621.656	58.534.648
Commitments	63.996	878.037	10.134.667	12.918.994	23.995.694
Derivative financial instruments	-	-	6.914.990	23.925.301	30.840.291

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value Fair Value	
	Current Period	Current Period
Financial Assets	350.743.976	334.011.632
Cash and Balances with the Central Bank of Turkey	34.957.050	34.957.050
Financial assets at fair value through P&L ⁽³⁾ ⁽⁴⁾	56.114	56.114
Banks	5.140.743	5.139.615
Money Market Placements	-	-
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾	3.970.638	3.970.638
Financial Assets Measured at Amortised Cost	56.073.053	50.114.605
Loans ⁽²⁾	250.546.378	239.773.610
Financial Liabilities	318.971.539	325.986.447
Deposits	248.855.254	250.559.277
Derivative financial liabilities held for trading	410.438	410.438
Funds provided from other financial institutions	11.916.027	12.263.014
Money market borrowings	38.162.061	38.328.639
Securities issued	15.047.978	19.845.298
Miscellaneous payables	4.579.781	4.579.781
Leasing payables	-	-

⁽¹⁾ As of 31 December 2018, TRY 16.556 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2017: TRY 15.805).

⁽²⁾ Net of follow-up loans has not been included in the table above.

⁽³⁾ As of 31 December 2018, marketable securities amounting to TRY 66.205 that are valued by internal rate of return, are not included in financial assets held for trading purpose.(31 December 2017: TRY 81.145)

⁽⁴⁾ Securities lending transactions amounting to TRY 14.374.380 is not included in the financial assets at fair value through P&L.

	Book Value Fair Value	
	Prior Period	Prior Period
Financial Assets	285.030.023	295.794.773
Cash and Balances with the Central Bank of Turkey	36.373.039	36.373.039
Financial assets at fair value through P&L ⁽³⁾ ⁽⁴⁾	366.332	366.332
Banks	6.093.940	6.093.887
Money Market Placements	1.258.647	1.258.746
Financial Assets Available for Sale ⁽¹⁾	17.073.744	17.073.744
Held to Maturity Investments	21.727.169	21.138.237
Loans ⁽²⁾	202.137.152	213.490.788
Financial Liabilities	259.915.703	258.778.754
Deposits	193.227.069	193.098.837
Derivative financial liabilities held for trading	150.522	150.522
Funds provided from other financial institutions	17.018.118	17.169.308
Money market borrowings	34.607.984	34.611.352
Securities issued	11.354.664	10.191.389
Miscellaneous payables	3.557.346	3.557.346
Leasing payables	-	-

⁽¹⁾ As of 31 December 2017, TRY 15.805 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2016: TRY 15.818).

⁽²⁾ Net of follow-up loans has not been included in the table above.

⁽³⁾ As of 31 December 2017, marketable securities amounting to TRY 81.145 that are valued by internal rate of return, are not included in financial assets held for trading purpose.(31 December 2016: TRY 67.141)

⁽⁴⁾ Securities lending transactions amounting to TRY 10.000.429 is not included in the financial assets at fair value through P&L.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

As of 31 December 2017, fair values of Associates and Subsidiaries are shown at section 4 footnote 5. The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined at fair value, when the market prices are not available, quoted market prices of other marketable securities which are amortised with the same terms of interest maturity and other similar conditions are used.
- ii- The prevailing interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

Classification of Fair Value Measurement

IFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Bank. This distinction brings about a fair value measurement classification generally as follows:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value:				
Financial Assets Measured at Fair Value through Profit/Loss ⁽²⁾ ⁽⁴⁾ :	56.114	-	-	56.114
Derivative financial assets	-	1.061.480	-	1.061.480
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾ :	3.970.638	-	-	3.970.638
Subsidiaries	432.290	492.895	3.407.296	4.332.481
Association ⁽³⁾	-	-	415.828	415.828
Total Financial Assets	4.459.042	1.554.375	3.823.124	9.836.541
Financial Liabilities Measured at Fair Value:				
Derivative financial liabilities	-	410.438	-	410.438
Total Financial Liabilities	-	410.438	-	410.438

⁽¹⁾ As of 31 December 2018, share certificates amounting to TRY 16.556 of "securities not quoted on the stock exchange" in financial assets at fair value through other comprehensive income are not included in the above table.

⁽²⁾ As of 31 December 2018, marketable securities amounting to TRY 66.205 that are not valued at fair value, are not included in financial assets at fair value through profit or loss.

⁽³⁾ Bank's associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. (TRY 11.518), Bankalararası Kart Merkezi A.Ş. (TRY 6.836), Kredi Kayıt Bürosu A.Ş. (TRY 2.516) and Türk P&I Sigorta A.Ş. (TRY 1.620) are not included in the table.

⁽⁴⁾ As of 31 December 2018, TRY 14.374.380 of securities lending transaction is not included in Financial Assets at Fair Value through profit or loss.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾ :	74.978	361.921	-	436.899
Debt securities ⁽⁴⁾	74.978	-	-	74.978
Derivative financial assets held for trading purpose	-	361.921	-	361.921
Available-for-sale financial assets ⁽¹⁾	17.073.744	-	-	17.073.744
Debt securities	17.073.744	-	-	17.073.744
Subsidiaries	566.571	426.657	2.633.480	3.626.708
Association ⁽³⁾	-	-	313.709	313.709
Total Financial Assets	17.715.293	788.578	2.947.189	21.451.060
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	150.522	-	150.522
Total Financial Liabilities	-	150.522	-	150.522

⁽¹⁾As of 31 December 2017, share certificates amounting to TRY 15.805 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

⁽²⁾ As of 31 December 2017, marketable securities amounting to TRY 81.145 that are not valued at fair value, are not included in financial assets held for trading purpose.

⁽³⁾ Bank's associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. (TRY 11.518), Bankalararası Kart Merkezi AŞ. (TRY 3.804), Kredi Kayıt Bürosu AŞ. (TRY 2.516) and Türk P&I Sigorta AŞ. (TRY 1.245) are not included in the table.

⁽⁴⁾ As of 31 December 2017, TRY 10.000.429 of securities lending transaction is not included in Trading Financial Assets at Fair Value through profit or loss.

The movement of financial assets in the third level are as follows:

	Current Period
Balance at the beginning of the period	2.947.189
Purchases during the year	481.573
Non-paid up shares	180.829
Valuation Difference	213.533
Transfers	-
Period End Balance	3.823.124
	Prior Period
Balance at the beginning of the period	2.241.888
Purchases during the year	-
Non-paid up shares	156.887
Valuation Difference	418.156
Transfers	130.258
Period End Balance	2.947.189

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

X. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

The Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Bank does not engage in fiduciary transactions.

XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Explanations Related To Risk Management

The Bank's business model creates a comprehensive risk profile that includes all units of the Bank. Credit risk is a key component of the risk profile. The Bank effectively implements risk management policies and procedures for loan and other risks which is determined within the framework of risk capacity and appetite and approved by board of directors. Risk appetite and capacity, which are directly related to the Bank's strategic objectives, are limited by legal rates therefore the Bank associated with them.

Regarding the risk management structure; The Internal Audit Department, Internal Control Department and Risk Management Department, which are units within the scope of internal systems, carry out their activities in accordance with the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process published in the Official Gazette No. 29057 dated 11 June 2014 and subject to the Board of Directors through the Audit Committee. The Financial Crimes Investigation Board (MASAK) Compliance Unit is directly affiliated to the Audit Committee. The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Bank is exposed in relation to its duties.

The Bank is using information technologies and training documents openly and effectively for the dissemination and application of risk culture, and the development of bank staff is supported in line with this goal with face to face learning and e-learning. In addition, all personnel are regularly informed and aware of the risks that the Bank is exposed to.

Risk measurement systems are based on accepted risk models and workflows for the identification, monitoring and reporting of risks in accordance with legislation. Methods and software that are in line with international standards are used for risk groups such as credit, market, operational and counterparty credit risk etc.

Within the scope of risk management activities, regular reporting and presentations are made by related units to the board of directors, asset-liability and audit committees and to the other committees, in order to manage the risks that the Bank is exposed to more effectively, to support the decision making processes related to them, to create new strategies and policies.

The Bank reports to the BRSA by applying the stress tests determined in accordance with the Internal Capital Adequacy Assessment Process (ISEDES). In addition, stress tests are carried out in line with the scenarios created by the risks exposed and the macroeconomic conditions. This test which is made by applying shocks for various risk factors, shows the results on risk weighted assets, own funds and capital adequacy ratio.

The Bank monitors its effectiveness by closely monitoring the processes of managing and reducing the risks arising from the business model. The Bank regularly revises the strategies it has established regarding these processes in line with the existing conditions and sets policies.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Overview of Risk Weighted Amounts^(*):

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	245.251.114	182.074.573	19.620.089
2 Standardized approach (SA)	245.251.114	182.074.573	19.620.089
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	3.597.146	1.946.444	287.772
5 Standardized approach for counterparty credit risk (SA-CCR)	3.597.146	1.946.444	287.772
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies look-through approach	-	-	-
9 Investments made in collective investment companies mandate-based approach ^(*)	-	-	-
10 Investments made in collective investment companies 1250% weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	2.933.787	3.230.950	234.703
17 Standardized approach (SA)	2.933.787	3.230.950	234.703
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	16.167.810	12.797.670	1.293.425
20 Basic Indicator Approach	16.167.810	12.797.670	1.293.425
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.072.418	816.180	85.793
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	269.022.275	200.865.817	21.521.782

* Amounts below the thresholds for deductions from capital are excluded from credit risk standard approach of RWA amount.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation:

	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Credit Risk	Counterparty credit risk	Securitization positions	Market Risk	
Assets						
Cash and Balances with the Central Bank	34.952.967	34.952.967	-	-	-	-
Derivative Financial Assets	1.061.480	-	1.061.480	-	1.061.480	-
Financial assets at fair value through profit and loss	14.496.699	66.205	-	-	56.114	14.374.380
Banks	5.140.715	5.140.715	-	-	-	-
Receivables from Money markets	-	-	-	-	-	-
Financial assets at fair value through OCI (net)	3.986.676	-	-	-	3.986.676	-
Loans	250.623.713	250.613.741	-	-	-	9.972
Receivables from factoring	-	-	-	-	-	-
Financial assets measured at amortised cost (net)	56.065.482	56.065.482	-	-	-	-
Subsidiaries (net)	438.318	438.318	-	-	-	-
Associates (net)	4.332.481	4.332.481	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-
Finance lease receivables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Tangible Assets (net)	3.147.914	3.080.769	-	-	-	67.145
Intangible Assets (net)	140.250	-	-	-	-	140.250
Real estate for investment purpose (net)	356.848	356.848	-	-	-	-
Tax asset	6.042	6.042	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	39.377	39.377	-	-	-	-
Other assets	3.633.093	3.621.903	-	-	1.201	-
Total Assets	378.422.055	358.714.848	1.061.480	-	5.105.471	14.591.747
Liabilities						
Deposits	248.855.254	-	-	-	-	248.855.254
Derivative financial liabilities	410.438	-	-	-	410.438	-
Loans	11.916.027	-	-	-	-	11.916.027
Money market borrowings	38.162.061	-	7.571.439	-	320.999	30.269.623
Securities issued	15.047.978	-	-	-	-	15.047.978
Funds	2.874.121	-	-	-	-	2.874.121
Miscellaneous payables	-	-	-	-	-	-
Other liabilities	22.976.665	-	-	-	885	22.975.780
Factoring payables	-	-	-	-	-	-
Finance lease payables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Provisions	1.853.914	-	-	-	-	1.853.914
Tax Liability	1.122.778	-	-	-	-	1.122.778
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated Loans	6.182.084	-	-	-	-	6.182.084
Shareholders' equity	29.020.735	-	-	-	-	29.020.735
Total liabilities	378.422.055	-	7.571.439	-	732.322	370.118.294

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:

	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	378.422.055	358.714.848	-	1.061.480	5.105.471
2 Liabilities carrying value amount under regulatory scope of consolidation	378.422.055	-	-	7.571.439	732.322
3 Total net amount under regulatory scope of consolidation	-	358.714.848	-	8.632.919	5.838.313
4 Off-balance Sheet Amounts	110.717.832	56.968.407	-	309.058	50.244.514
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
9 Differences due to risk reduction	-	415.683.255	-	8.941.977	56.082.827

*Shows total potential credit risk amounts caused by derivative transactions.

Explanations of differences between accounting and regulatory exposure amounts:

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

Explanations Related to Counterparty Credit Risk

The Bank provides the necessary definitions and classifications for the CCR that take into account the clearing and pre-clearing risk in relation to the management policies and procedures of the CCR, thereby managing these risks on a counterparty basis and across the bank.

The impact of the new products and activities on the Bank's CCR level is assessed and these evaluations are included in the product / activity approval process.

The market, liquidity, compliance risk and operational risk that may be associated with the CCR are taken into account and the general / specific limit levels of the Bank's transactions to the CCR are determined. These limits established within the framework of the CCR are regularly monitored. The Bank uses risk mitigation techniques to the extent that it is appropriate, through applications such as margin taking and margin fulfillment.

The Bank uses methods and models in accordance with international standards for the identification, measurement, monitoring, control and reporting of the CCR. Independent scrutiny and supervision is carried out on the integrity, correctness and effectiveness of the CCR management systems. These activities are carried out by the Bank's internal audit units and independent audit institutions.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Agreements entered into with counterparty financial institutions resulting in credit risk according to the attributes of the transaction are evaluated by taking into account ISDA framework and CSA framework for derivative transactions, GMRA framework for repurchase agreements. The risk is mitigated by receiving cash or other forms of collaterals as per the counterparty limits designated by the Board of Directors. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty limits. In cases whereby possible decreases or increases in ratings affects the current replacement cost, margin call agreements are used as a risk mitigator.

Counterparty Credit Risk (CCR) Approach Analysis:

	Replacement cost	Potential Future exposure	EEPE, (Effective Expected Positive Exposure)^(*)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
Standardised Approach - CCR (for derivatives)	1.061.481	309.058		1,4	1.576.346	1.210.820
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					9.012.489	2.380.174
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					320.999	6.152
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	2.386.326
Total					10.909.834	3.597.146

*Expected effective positive risk amount

Capital requirement for credit valuation adjustment (CVA):

	EAD post-CRM	Risk weight amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3*multiplier)	-	-
(ii) Stressed VaR component (including the 3*multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	1.576.346	1.210.820
Total subject to the CVA capital obligation	1.576.346	1.210.820

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Standardised Approach - Counterparty Risk Per Risk Classification And Risk Weighted Amounts:

Risk weight / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Claims on sovereigns and Central Banks	1.295.050	539	-	9.896	-	-	-	-	1.305.485
Claims on regional governments or local authorities	-	192.475	-	2.777	-	-	-	-	195.252
Claims on administrative bodies and other non-commercial undertakings	16.771	515.939	-	-	-	241	-	-	532.951
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	298.076	-	5.820.592	494.078	-	1.478.476	-	-	8.091.222
Claims on corporates	31.141	2.520	-	-	-	611.253	-	-	644.914
Claims included in the regulatory retail portfolios	-	133.035	-	-	6.975	-	-	-	140.010
Claims secured by residential property	-	-	-	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Total	1.641.038	844.508	5.820.592	506.751	6.975	2.089.970	-	-	10.909.834

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Collaterals for Counterparty Credit Risk:

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Nonsegregated	Segregated	Nonsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	47.523	-	50.922	-	13.710
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	47.523	-	50.922	-	13.710

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparties (CCP):

None.

Explanations on Securitisations:

None.

Qualitative Disclosure on Credit Risk:

Credit risk, which is the most important risk profile of the Bank's business model, refers to risks and losses arising from counterparty's failure to meet its obligations under contracts that the Bank is a party to. Credit limits are set according to the risk appetite and capacity of the Bank. Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, executive vice president in charge of loans, general manager, credit committee and board of directors and revised whenever required. As part of its risk policies, the Bank monitors limits designated by sectors and sub sectors.

Within the scope of internal systems, internal audit activities are carried out by the Board of Inspectors and the Internal Audit Department in order to ensure that the activities of the Bank are carried out in accordance with the Bank's policies determined in compliance with the legal regulations. The Risk Management Department, which is the risk unit within the internal systems, performs the functions of measuring, monitoring, controlling and reporting on the credit risk to which the Bank is exposed to. These units are regularly reporting the risks exposed to the Bank's Senior Management.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Bank, in the credit allocation process, restricts its risk exposure by working with highly creditworthy banks and institutions considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey.

Limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically, concerning the off-balance sheet operations based on the customers and banks.

Credit Quality of Assets

	Gross carrying value as per TAS		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	8.527.848	250.546.378	8.450.513	250.623.713
2 Debt Securities*	-	60.231.845	49.279	60.182.566
3 Off-balance sheet exposures	-	109.137.465	366.194	108.771.271
4 Total	8.527.848	419.915.688	8.865.986	419.577.550

* As of 31 December 2018, 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Changes in Stock of Default Loans and Debt Securities

1 Defaulted loans and debt securities at end of the previous reporting period	6.106.597
2 Loans and debt securities defaulted since the last reporting period	3.269.197
3 Receivables back to performing status	(66.386)
4 Amounts written off	(72.258)
5 Other changes	(709.302)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	8.527.848

Additional Disclosure Related To The Credit Quality Of Assets:

Breakdown According to Maturity:

31 December 2018	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans and Advances	2.912.739	13.700.685	14.791.709	76.110.176	110.594.402	32.514.002	250.623.713

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Exposures Provisioned Against By Major Regions:

31 December 2018	Non-Performing Loans	ECL (Stage 3)
Domestic	8.410.882	6.220.454
European Union (EU) Countries	56	52
OECD Countries	-	-
Off-Shore Banking Regions	-	-
USA, Canada	9	8
Other Countries	116.901	62.778
Total	8.527.848	6.283.292

Exposures Provisioned Against By Sectors:

Explained in Section 4-II Information according to sectors and counterparties

Aging analysis of overdue but not impaired financial assets:

31 December 2018	
30-60 days overdue	1.671.917
60-90 days overdue	1.159.831
Total	2.831.748

Breakdown of restructured receivables based on whether or not provisions are allocated:

31 December 2018	
Loans Structured from Standard Loans and Other Receivables	1.267.526
Loans Composed of Follow-up Loans and Other Receivables	6.313.925
Loans Restructured from Non-Performing Loans	1.388.056

Qualitative Disclosure on Credit Risk Mitigation Techniques

The risk mitigating factors used in the lending activities of the Bank are listed below.

- Financial warranties (Treasury Bills, Government Bonds, Cash, Pledged Deposits, Gold, Pledged Securities)
- Guarantees
- Mortgage (Although mortgage lending in Basel II has been considered as a risk class, it has also been included in this section in terms of valuation methods and concentrations).

The financial guarantees in the Bank are subject to valuation on a daily basis. The creditworthiness of guarantors are monitored and assessed within the framework of credit revision schedules.

As long as the mortgage that constitutes the collateral of the credits continues to be related to the loan, the risk-guarantee balances are monitored and revalued each year. Action plans are developed for the possibility of diminution in value of collaterals.

As per the BRSA regulations, guarantees given by the Treasury and banks are regarded as risk reduction elements and the creditworthiness of banks is regularly monitored.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The volatility in the real estate market is closely monitored by the Bank and fluctuations that may occur depending on the market movements related to the mentioned risk class, are taken into account according to the principles stated in the related regulation.

In the portfolios where the comprehensive financial guarantee method is used, the risk mitigating effects of collateral are determined through standard volatility adjustments.

Concentration checks are conducted on guarantors and collateral providers.

There is no on-balance sheet or off-balance sheet offsetting.

Credit Risk Mitigation Techniques- Overview

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans ⁽²⁾	151.048.270	99.575.443	82.469.553	18.091.356	18.091.356	-	-
2 Debt Instruments ⁽¹⁾	60.182.566	-	-	-	-	-	-
3 Total	211.230.836	99.575.443	82.469.553	18.091.356	18.091.356	-	-
4 Of which defaulted	503.092	1.741.464	1.623.801	493.279	493.279	-	-

⁽¹⁾ As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

⁽²⁾ As collateral, within the scope of the Standard Approach, collaterals to be used to mitigate credit risk, are taken into consideration.

Information about the Banks' Use of Ratings in Calculating Credit Risk by Using Standard Approach

Explained in risk classifications related to Article 6 of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks in 4-II Credit risk section.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Standardised Approach- Credit Risk Exposure and Credit Risk Mitigation Techniques

Risk Classification	Exposures before CCF and CRM		Exposures post- CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	90.507.093	311.441	108.340.473	1.324.680	14.371.390	13,10%
Claims on regional governments or local authorities	3.829.315	116.305	3.829.315	58.153	1.859.588	47,84%
Claims on administrative bodies and other non-commercial undertakings	2.310.123	1.859.241	2.293.268	929.719	2.735.068	84,86%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	12.559.603	3.426.811	12.574.863	2.305.402	6.132.266	41,21%
Claims on corporates	100.106.551	69.966.398	93.425.663	44.894.380	134.603.014	97,31%
Claims included in the regulatory retail portfolios	75.296.053	28.444.617	64.145.156	5.645.825	49.886.822	71,48%
Claims secured by residential property	40.502.623	1.595.292	40.502.623	914.433	15.261.892	36,85%
Claims secured by commercial property	23.876.469	2.638.212	23.876.469	2.002.119	12.939.293	50,00%
Overdue loans	2.206.388	5.059	2.206.388	2.654	1.617.357	73,22%
Higher risk categories decided by the Board	37.587	150.747	37.587	101.862	209.174	150,00%
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	14.232.232	-	14.232.232	-	4.874.009	34,25%
Equity share investments	4.787.354	-	4.787.354	-	5.430.805	113,44%
Total	370.251.391	108.514.123	370.251.391	58.179.227	249.920.678	58,33%

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification/ Risk weight amount	0%	10%	20%	35%*	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
Claims on sovereigns and Central Banks	80.988.147	539	-	-	28.610.262	-	66.205	-	-	-	109.665.153
Claims on regional governments or local authorities	14.313	192.475	-	-	3.680.680	-	-	-	-	-	3.887.468
Claims on administrative bodies and other non-commercial undertakings	23.479	515.939	118	-	-	-	2.683.451	-	-	-	3.222.987
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	348.590	-	8.207.729	-	3.666.452	-	2.657.494	-	-	-	14.880.265
Claims on corporates	2.291.645	2.520	1.243.260	-	857.015	-	133.925.603	-	-	-	138.320.043
Claims included in the regulatory retail portfolios	2.896.483	133.035	359.235	-	-	66.402.228	-	-	-	-	69.790.981
Claims secured by residential property	33.337	-	10.993	39.424.628	-	1.948.098	-	-	-	41.417.056	-
Claims secured by commercial property	-	-	-	-	25.878.588	-	-	-	-	-	25.878.588
Overdue loans	373.206	-	-	-	436.959	-	1.398.877	-	-	-	2.209.042
Higher risk categories decided by the Board	-	-	-	-	-	-	-	139.449	-	-	139.449
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	4.358.387	-	-	428.967	4.787.354
Other receivables	7.642.540	-	1.435.160	-	640.601	989.016	3.524.915	-	-	-	14.232.232
Total	94.611.740	844.508	11.256.495	39.424.628	63.770.557	69.339.342	148.614.932	139.449	-	428.967	428.430.618

*Secured with real estate mortgage.

Publicly Announced Qualitative Disclosure on Market Risk

In accordance with the Bank' risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29511 by 23 October 2015.

It is the ultimate responsibility of the Board of Directors to apply and improve risk management strategies, policies and procedures that are approved by the board of directors, inform the board of directors about the important risks the Bank is exposed to, assess internal control, internal audit and risk reports with regard to the Banks' departments and to eliminate the risks, deficiencies or defects identified in these departments or to take the necessary precautionary actions to prevent those risks, deficiencies and defects and participate in the determination of risk limits. As part of this responsibility, the Board of Directors of the Bank designated VAR limits and the interest risk that the Bank can bear is limited to a ratio of the equity.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Bank's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

The market risk value calculated by using the internal model except standard method is supported by using scenario analysis and stress tests, historical simulation and risk exposure figures calculated by using parametric method are reported daily to the top management.

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	1.140.675
Equity risk (general and specific)	249.575
Foreign exchange risk	1.223.174
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	320.363
Scenario approach	-
Securitization	-
Total	2.933.787

Information related to Operational Risk

The value at operational risk is calculated according to the basic indicator approach and once a year with year-end datas.

	2 PP Amount	1 PP Amount	CP Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	6.838.343	8.819.345	10.210.808	8.622.832	15	1.293.425
Amount at Operational Risk (Total * 12.5)						16.167.810

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XII. EXPLANATIONS ON REMUNERATION POLICIES

Qualitative Disclosures on Remuneration Policies

1. Disclosures related with Remuneration Committee

The Bank's Remuneration Committee is comprised of two non-executive directors. The committee has convened for once during the year. The duties and responsibilities of the Committee include the following:

- The scope and structure of the Bank's operations and strategies ensure the effectiveness of a wage policy and wage policy that is consistent with its long-term goals and risk management structures, prevents excessive risk taking and contributes to effective risk management.
- Controls and follows the remuneration practices on behalf of the Board of Directors
- Ensures accordance of ethical values, strategical targets and internal balance of the Bank with the wage policy.
- Evaluates the remuneration policy and its practices in the context of risk management and submits proposals to the Board of Directors.
- Fulfills the other duties specified in the related regulations

The Bank has received consultancy service from a company within the framework of the activities for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank's board members, senior management and the Bank personnel deemed to perform the functions having material impact on the Bank's risk profile are considered as critical key personnel; and by the end of 2018, the number of critical key personnel is 22.

2. Information on the design and structure of remuneration process

The Bank relies on the following values while managing its Remuneration Policy.

- Based on fair and balanced performance targets
- Balance within the Bank in terms of wage application to ensure competitiveness within the sector,
- To increase the efficiency of rewards by emphasizing the concepts of job size, performance and contribution to work,

Remuneration Committee at its meeting in December 2018 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Bank's Board of Directors, senior management and other staff are in line with the Bank's ethical values, internal balances and strategic objectives in 2018. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Bank.

According to the growing and evolving organizational structure of the Bank, the Bank is working with a consulting firm on a project about review of its human resources applications and comparing with other banks in the industry.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

3. Evaluation about how the bank's remuneration processes take the current and future risks into account

The Bank follows the Risk Management Principles while implementing the remuneration processes.

4. Evaluation about how the Bank associates variable remunerations with performance

The Bank's variable payments as performance bonuses are mostly made to the personnel working at the branches and Regional Directorships. The paid amounts are not exceed a certain percentage of the monthly fixed fees. No performance premium payments are made to other members of the bank that are considered to have performed a function that has a significant effect on the risk profile of the Bank and the members of the board of directors and senior managers who are designated as critical key personnel but only a dividend payment is made up to twice of the gross monthly salary of all personnel with the decision of the General Assembly of the Bank.

5. Evaluation about the bank's methods to adjust remunerations according to long-term performance

There are no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

6. Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments

Cash and non-cash instruments are not used for the payment, wherefore no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

(1) Cash and Central Bank of the Republic of Turkey:

a) Information on balances with the Central Bank of the Republic of Turkey:

	Current period	
	TRY	FC
Cash and foreign currency	1.259.602	3.158.262
CBRT	2.723.274	27.815.892
Other	-	20
Total	3.982.876	30.974.174

	Prior period	
	TRY	FC
Cash and foreign currency	1.154.853	964.263
CBRT	11.762.459	22.491.457
Other	-	7
Total	12.917.312	23.455.727

b) Information on balances with the Central Bank of the Republic of Turkey:

	Current period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.470.993	9.347.358
Time unrestricted amount	-	-
Time restricted amount	-	2.259.938
Other ⁽²⁾	252.281	16.208.596
Total	2.723.274	27.815.892

⁽¹⁾ Reserve deposits kept in Central Bank of the Republic of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of the Republic of Turkey and Central Bank of Cyprus.

	Prior period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	11.647.057	3.585.219
Time unrestricted amount	-	-
Time restricted amount	437	2.425.300
Other ⁽²⁾	114.965	16.480.938
Total	11.762.459	22.491.457

⁽¹⁾ Reserve deposits kept in Central Bank of the Republic of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of the Republic of Turkey and Central Bank of Cyprus.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

As per the Communiqué no. 2013/15 "Reserve Deposits" of the Central Bank of the Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TRY, FC and/or standard gold and/or scrap gold liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 1,5%-8% for TRY deposits and other liabilities between 4%-20% for FC deposits for other FC liabilities. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to TRY and USD reserves.

The interest related to the reserve requirements set as TRY is paid at a rate of 1300 basis points rate as of 21 September 2018.

With the change dated 23 January 2015, it has been decided to apply a charge on daily account balances and two days notice account denominated in Euro, and collected on a daily basis, on reserve requirements held by banks commencing on 1 February 2015. As of 27 July 2015 commission ratios have been announced on the CBRT website as zero percent.

With the change on 2 May 2015 made by the CBRT, interest is paid on USD denominated reserve requirements, reserve options and free reserves held at Central Bank of the Republic of Turkey. The interest rate is set on daily basis by taking global and local financial markets conditions into account. The applicable interest rate is 1,5% for the reporting period (announced on 18 December 2017).

With the decision No.1005 dated 14 August 2018 of the TRNC, reserve requirement ratio is between 4% and 7% for TRY liabilities and for foreign currency liabilities.

(2) Financial assets at fair value through profit and loss:**a) Financial assets at fair value through profit and loss blocked/given as collateral:**

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	14.374.380	-
Total	14.374.380	-

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	10.000.429	-
Total	10.000.429	-

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	15.763
Total	-	15.763

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	-
Total	-	-

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c) Positive differences related to the derivative financial assets at fair value through profit or loss:

	Current Period	
	TRY	FC
Forward transactions	-	204.002
Swap transactions	-	857.384
Futures transactions	-	-
Options	9	85
Other	-	-
Total	9	1.061.471

	Prior Period	
	TRY	FC
Forward transactions	-	43.495
Swap transactions	-	318.246
Futures transactions	-	-
Options	118	62
Other	-	-
Total	118	361.803

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	6.200	2.642.001
Foreign banks	174.715	2.317.827
Branches and offices abroad	-	-
Total	180.915	4.959.828

	Prior Period	
	TRY	FC
Banks		
Domestic banks	504.964	4.126.213
Foreign banks	75.554	1.387.209
Branches and offices abroad	-	-
Total	580.518	5.513.422

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information on foreign banks:

	Unrestricted Balance	Restricted Balance
	Current Period	Current Period
EU Countries	651.847	-
USA and Canada	730.596	-
OECD Countries ⁽¹⁾	180.540	-
Offshore Banking Regions	522	-
Other	929.037	-
Total	2.492.542	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

	Unrestricted Balance	Restricted Balance
	Prior Period	Prior Period
EU Countries	657.810	-
USA and Canada	279.816	-
OECD Countries ⁽¹⁾	67.379	-
Offshore Banking Regions	111	-
Other	457.647	-
Total	1.462.763	-

(4) Information on financial assets at fair value through other comprehensive income:

a) Financial assets at fair value through other comprehensive income blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets at fair value through other comprehensive income blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	432.417	168.246
Total	432.417	168.246

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	10.936.493	1.045.607
Total	10.936.493	1.045.607

a.2. Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	45.539	392.500
Total	45.539	392.500

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	154.578	4.308.531
Total	154.578	4.308.531

b. Information on financial assets at fair value through other comprehensive income portfolio:

	Current Period
Debt securities	3.850.625
<i>Quoted on a stock exchange</i>	3.850.625
<i>Not quoted</i>	-
Share certificates	184.939
<i>Quoted on a stock exchange</i>	151.103
<i>Not quoted</i>	33.836
Impairment provision(-)	48.370
Total	3.987.194

	Prior Period
Debt securities	17.335.998
<i>Quoted on a stock exchange</i>	17.335.998
<i>Not quoted</i>	-
Share certificates	150.865
<i>Quoted on a stock exchange</i>	117.779
<i>Not quoted</i>	33.086
Impairment provision(-)	397.314
Total	17.089.549

(5) Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current period	
	Cash loans	Non-Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	319.725	-
Total	319.725	-

	Prior period	
	Cash loans	Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	252.835	-
Total	252.835	-

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	Loans and other receivables under close monitoring ⁽³⁾			
	Restructured Loans and Receivables			
	Standard Loans and Other Receivables	Loans and Receivables Not Subject to restructuring	Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized loans	188.322.452	8.570.711	91.618	6.222.122
Corporation loans	110.873.948	5.396.650	-	5.945.976
Export loans	11.141.163	361.117	-	-
Import loans	-	-	-	-
Loans given to financial sector	2.415.062	1.317.500	-	-
Consumer loans ⁽¹⁾	40.015.058	767.041	27.853	16.963
Credit cards ⁽²⁾	5.074.849	258.615	63.765	-
Other	18.802.372	469.788	-	259.183
Specialized lending	42.139.864	1.100.127	-	185
Other receivables	-	-	-	-
Accruals	3.376.650	409.702	536	312.411
Total	233.838.966	10.080.540	92.154	6.534.718

⁽¹⁾ Includes TRY 230.476 personnel loans.

⁽²⁾ Includes TRY 89.249 personnel credit cards.

	Standard Loans	Loans and Other Receivables Under Close Monitoring
12 Months Expected Loss Provision	984.741	-
Significant Increase in Credit Risk	-	1.182.480

The general explanations on increase in provisions as a result of the comparison of the expected credit loss provisions between 1 January 2018 which is the date of transition to TFRS 9 and 31 December 2018 are as follows.

ECL ratio for stage 1 loans at transition phase and at 31 December 2018 have not changed significantly.

The increase in the ECL for Stage 2 loans was realized due to increase in foreign exchange rates and interest rates in parallel with increase in the number of repayment days of loans, furthermore increase in close monitoring figures due to the concept of TFRS 9 - significant increase in credit risk. Besides, the credit risks of foreign currency loans which accounted under stage 2 loans had an important factor in this increase.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Number of modifications made to extend payment plan	Standard Loans and Other Receivables⁽¹⁾	Loans and Other Receivables Under Close Monitoring⁽²⁾
Extended by 1 or 2 times	1.240.578	6.133.782
Extended by 3,4 or 5 times	26.101	118.252
Extended by more than 5 times	847	61.891

⁽¹⁾Accruals amounting to TRY 11.736 are not included in the table above.

⁽²⁾Accruals amounting to TRY 312.947 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables⁽¹⁾	Loans and Other Receivables Under Close Monitoring⁽²⁾
0-6 Months	129.379	672.486
6 Months - 12 Months	66.947	243.245
1-2 Years	141.584	605.328
2-5 Years	485.175	2.304.786
5 Years and over	444.441	2.488.080

⁽¹⁾Accruals amounting to TRY 11.736 are not included in the table above.

⁽²⁾Accruals amounting to TRY 312.947 are not included in the table above.

c) Maturity analysis of cash loans:

Current Period	Loans under close monitoring		
	Standard Loans	Loans with Revised Contract Terms	Refinance
Short-term Loans	47.774.278	1.964.504	459.140
Medium and Long-term Loans	186.064.688	8.116.036	6.167.732
Prior Period			
Short-term Loans	38.421.163	521.117	276.045
Medium and Long-term Loans	158.612.853	4.582.019	2.302.702

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards^(*):

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	414.777	38.974.313	39.389.090
<i>Real estate loans</i>	6.689	24.164.588	24.171.277
<i>Automobile loans</i>	2.259	206.044	208.303
<i>Consumer loans</i>	405.829	14.603.681	15.009.510
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	3.472.907	1.457	3.474.364
<i>Installment</i>	1.229.512	1.457	1.230.969
<i>Non-installment</i>	2.243.395	-	2.243.395
Individual credit cards-FC	299	-	299
<i>Installment</i>	-	-	-
<i>Non-installment</i>	299	-	299
Personnel loans-TRY	13.206	217.270	230.476
<i>Real estate loans</i>	-	402	402
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.206	216.868	230.074
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	89.185	-	89.185
<i>Installment</i>	30.146	-	30.146
<i>Non-installment</i>	59.039	-	59.039
Personnel credit cards-FC	64	-	64
<i>Installment</i>	-	-	-
<i>Non-installment</i>	64	-	64
Overdraft accounts-TRY (Retail customers)	1.207.349	-	1.207.349
Overdraft accounts-FC (Retail customers)	-	-	-
Total	5.197.787	39.193.040	44.390.827

^(*) Interest income accruals are not included in the table above.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	406.948	36.405.136	36.812.084
Real estate loans	10.525	20.856.426	20.866.951
Automobile loans	4.950	275.611	280.561
Consumer loans	391.473	15.273.099	15.664.572
Other	-	-	-
Consumer loans- Indexed to FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans- FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual credit cards-TRY	2.931.375	1.900	2.933.275
Installment	1.197.690	-	1.197.690
Non-installment	1.733.685	1.900	1.735.585
Individual credit cards-FC	291	-	291
Installment	-	-	-
Non-installment	291	-	291
Personnel loans-TRY	11.167	179.270	190.437
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	11.167	179.270	190.437
Other	-	-	-
Personnel loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel credit cards-TRY	62.366	-	62.366
Installment	20.308	-	20.308
Non-installment	42.058	-	42.058
Personnel credit cards-FC	32	-	32
Installment	-	-	-
Non-installment	32	-	32
Overdraft accounts-TRY (Retail customers)	953.999	-	953.999
Overdraft accounts-FC (Retail customers)	-	-	-
Total	4.366.178	36.586.306	40.952.484

(*) Interest income accruals and rediscounts are not included in the table above.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Information on commercial installments loans and corporate credit cards*:

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.018.975	26.808.673	27.827.648
<i>Business premises loans</i>	-	601.301	601.301
<i>Automobile loans</i>	13.787	412.266	426.053
<i>Consumer loans</i>	1.005.188	25.795.106	26.800.294
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	166.857	16.554.597	16.721.454
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	-	45
<i>Installment</i>	-	-	-
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	5.591.445	43.363.270	48.954.715

*Interest and income accruals and rediscounts are not included in table above.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	835.787	26.928.317	27.764.104
<i>Business premises loans</i>	-	681.102	681.102
<i>Automobile loans</i>	8.417	393.974	402.391
<i>Consumer loans</i>	827.370	25.853.241	26.680.611
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	14.226	9.695.831	9.710.057
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	14.226	9.695.831	9.710.057
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.258.098	-	1.258.098
<i>Installment</i>	529.167	-	529.167
<i>Non-installment</i>	728.931	-	728.931
Corporate credit cards-FC	25	-	25
<i>Installment</i>	-	-	-
<i>Non-installment</i>	25	-	25
Overdraft accounts-TRY (Commercial customers)	1.239.335	-	1.239.335
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	3.347.471	36.624.148	39.971.619

(*)Interest and income accruals and rediscounts are not included in table above.

e) Loans by customers:

	Current Period
Public	7.277.485
Private	243.268.893
Total	250.546.378

	Prior Period
Public	5.326.304
Private	196.810.848
Total	202.137.152

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

f) Domestic and foreign loans:

	Current Period
Domestic loans	248.491.859
Foreign loans	2.054.519
Total	250.546.378

	Prior Period
Domestic loans	200.506.312
Foreign loans	1.630.840
Total	202.137.152

g) Loans granted to subsidiaries and associates:

	Current Period
Direct loans granted to subsidiaries and associates	1.377.511
Indirect loans granted to subsidiaries and associates	-
Total	1.377.511

	Prior Period
Direct loans granted to subsidiaries and associates	967.161
Indirect loans granted to subsidiaries and associates	-
Total	967.161

h) Credit-impaired losses (Stage III):

	Current Period
Loans and receivables with limited collectability	689.818
Loans and receivables with doubtful collectability	585.798
Uncollectible loans and receivables	5.007.676
Total	6.283.292

	Prior Period
Specific provisions	
Loans and receivables with limited collectability	342.250
Loans and receivables with doubtful collectability	471.850
Uncollectible loans and receivables	3.965.172
Total	4.779.272

The reasons of increase in the expected loss provision for the Bank's Stage 3 loans are additions to non-performing loan portfolio and increasing loss given default ratio after initial transferring date to non-performing loan portfolio.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

i) Information on non-performing loans:

i.1. Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Gross amounts before the specific provisions	61.786	67.344	1.258.926
Rescheduled loans and other receivables	61.786	67.344	1.258.926
Prior period			
Gross amounts before the specific provisions	38.728	44.727	1.188.583
Rescheduled loans and other receivables	38.728	44.727	1.188.583

i.2. Information on the movement of non-performing loans:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	612.816	733.233	4.760.548
Additions (+)	3.100.698	49.970	118.529
Transfers from other categories of loans under follow-up (+)	-	1.903.093	1.519.906
Transfers to other categories of loans under follow-up (-)	1.946.251	1.476.748	-
Collections (-)	345.930	228.886	569.351
Write-offs (-)	-	-	-
Sold (-)	-	-	72.258
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other*	112.391	184.908	71.180
Current period end balance	1.533.724	1.165.570	5.828.554
Provision (-)	689.818	585.798	5.007.676
Net balance on balance sheet	843.906	579.772	820.878

*Other includes income accruals amounts for follow-up loans.

i.3. Information on foreign currency non-performing loans and other receivables:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Balance at the end of the period	415.553	199.312	2.004.432
Provisions(-)	212.465	133.080	1.829.189
Net balance in the balance sheet	203.088	66.232	175.243

Türkiye Halk Bankası A.Ş.*Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period			
Balance at the end of the period	121.484	174.975	1.784.567
Provisions(-)	82.490	139.302	1.148.778
Net balance in the balance sheet	38.994	35.673	635.789

i.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	843.906	579.772	820.878
Loans to granted real persons and legal entities (Gross)	1.533.724	1.165.570	5.828.554
Provisions (-)	689.818	585.798	5.007.676
Loans to granted real persons and legal entities (Net)	843.906	579.772	820.878
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	270.566	261.383	795.376
Loans to granted real persons and legal entities (Gross)	611.987	732.308	4.690.496
Specific provisions (-)	341.421	470.925	3.895.120
Loans to granted real persons and legal entities (Net)	270.566	261.383	795.376
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	829	925	70.052
Specific provisions (-)	829	925	70.052
Other loans and receivables (Net)	-	-	-

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

j) Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	59.079	83.006	26.980
Interest Accruals and Valuation Differences	112.391	184.908	71.180
Provision (-)	53.312	101.902	44.200

k) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and principle receivables from loans.

The Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

l) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" non-performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

(6) Information on financial assets measured at amortised cost:

a) Information on financial assets measured at amortised cost blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Financial assets measured at amortised cost investments blocked/given as collateral:

	Current Period	
	TRY	FC
Bond	-	-
Government bonds and similar securities	37.195.684	2.464.985
Total	37.195.684	2.464.985
	Prior Period	
	TRY	FC
Bond	-	-
Government bonds and similar securities	19.108.745	1.333.136
Total	19.108.745	1.333.136

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

a.2. Financial assets measured at amortised cost investments subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	2.194.216	8.214.062
Total	2.194.216	8.214.062

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	34.794	1.169.918
Total	34.794	1.169.918

b) Information on public sector debt investments financial assets measured at amortised cost:

	Current Period
Government bonds	56.006.929
Treasury bills	-
Other public sector debt securities	15.610
Total	56.022.539

Information on public sector debt investments:

	Prior Period
Government bonds	21.727.169
Treasury bills	-
Other public sector debt securities	-
Total	21.727.169

c) Information on financial assets measured at amortised cost:

	Current Period
Debt securities	56.073.053
<i>Quoted on a stock exchange</i>	56.073.053
<i>Not quoted</i>	-
Impairment provision (-)	-
Total	56.073.053

	Prior Period
Debt securities	21.727.169
<i>Quoted on a stock exchange</i>	21.727.169
<i>Not quoted</i>	-
Impairment provision (-)	-
Total	21.727.169

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Movement of financial assets measured at amortised cost within the year:

	Current Period
Beginning balance	21.727.169
Foreign currency differences on monetary assets	1.974.143
Purchases during the year ⁽¹⁾⁽²⁾	36.157.157
Disposals through sales and redemptions	(3.785.416)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	56.073.053

⁽¹⁾ Interest income accrual differences between 31 December 2018 amounting to TRY 7.458.585 and 31 December 2017 amounting to TRY 2.894.918 has been included in purchases row.

⁽²⁾ The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income into financial assets measured at amortised cost on 23 May 2018.

Movement of held-to-maturity investments within the year:

	Prior Period
Beginning balance	18.156.182
Foreign currency differences on monetary assets	182.819
Purchases during the year ⁽¹⁾	3.735.146
Disposals through sales and redemptions	(346.978)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	21.727.169

⁽¹⁾ Interest income accrual differences between 31 December 2017 amounting to TRY 2.894.918 and 31 December 2016 amounting to TRY 1.907.723 has been included in purchases row.

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halkbank NV ⁽¹⁾	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ ⁽¹⁾	Ankara/Turkey	31,47	33,12
3. Kredi Kayıt Bürosu AŞ ⁽²⁾	Istanbul/Turkey	18,18	18,18
4. Bankalararası Kart Merkezi AŞ ⁽²⁾	Istanbul/Turkey	18,95	18,95
5. Türk P ve I Sigorta AŞ ⁽¹⁾	Istanbul/Turkey	16,67	16,67

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information related to the associates as shown in (a) ⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value⁽³⁾
1.	9.681.102	1.438.489	9.715	362.583	3.011	84.803	71.048	415.829
2.	50.811	50.059	83	4.697	-	1.659	1.208	-
3.	342.784	211.006	206.138	9.294	-	41.206	37.880	-
4.	117.093	64.965	56.060	4.658	-	15.953	11.164	-
5.	41.554	12.414	467	1.563	-	3.891	1.684	-

⁽¹⁾ The financial data is obtained from 31 December 2018 financial statements used in consolidation.⁽²⁾ Financial information of Kredi Kayıt Bürosu AŞ. is obtained from un audited financial statements and financial information of Bankalararası Kart Merkezi AŞ. is obtained from audited financial statements as of 31 December 2018.⁽³⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2018.

c) Movement of associates:

	Current Period
Balance at the beginning of the period	332.792
Movements during the period	105.526
<i>Purchases</i>	375
<i>Bonus shares obtained profit from current year's share</i>	3.032
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	102.119
<i>Impairment Provisions (-)/ Reversals</i>	-
Balance at the end of the period	438.318
Capital commitments	-
Share percentage at the end of the period (%)	-

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period
Balance at the beginning of the period	268.657
Movements during the period	64.135
Purchases	-
Bonus shares obtained profit from current year's share	-
Dividends from current year income	-
Sales	-
Transfers	-
Revaluation decrease (-) / increase	64.135
Impairment Provisions (-)/ Reversals	-
Balance at the end of the period	332.792
Capital commitments	-
Share percentage at the end of the period (%)	-

d) Sectorial information and related carrying amounts of associates:

	Current Period
Banks	415.828
Insurance companies	1.620
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	9.352

	Prior Period
Banks	313.709
Insurance companies	1.245
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	6.320

e) Associates quoted on a stock exchange:

None.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(8) Information on subsidiaries (Net):**a) Information on subsidiaries⁽¹⁾:**

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
CORE CAPITAL										
Paid in Capital	104.000	280.000	412.000	858.000	323.000	26.000	301.922	96.000	213.395	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	101	-	49.945	-	-	11.633	-	99.004	-
Reserves	15.958	23.048	91.617	72.118	13.915	2.152	233.674	10.095	196.454	-
Other Comprehensive Income according to TAS	5.310	-	-	2.467	-	-	5.445	10	13.007	-
Profit / Loss	57.733	7.689	327.843	83.202	(99.668)	10.559	74.086	58.226	17.977	846
Net Profit	57.733	145.122	305.840	83.202	(112.634)	10.130	54.688	67.679	15.697	837
Prior Period Profit/Loss	-	(137.433)	22.003	-	12.966	429	19.398	(9.453)	2.280	9
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	750	-	-	-	-	-	-	-	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	1.465	19.904	-	95	35	104	-	-	-
Leasehold Improvements (-)	-	-	263	-	-	-	9.610	186	5.761	-
Intangible Assets (-)	1.131	3.702	1.792	347	1.277	-	5.881	599	13.251	-
Total Core Capital	182.620	305.671	809.501	1.065.385	235.875	38.676	611.165	163.546	520.825	946
SUPPLEMENTARY CAPITAL	-	-	-	-	30.623	-	18.709	20.628	7.639	-
CAPITAL	182.620	305.671	809.501	1.065.385	266.498	38.676	629.874	184.174	528.464	946
NET AVAILABLE CAPITAL	182.620	305.671	809.501	1.065.385	266.498	38.676	629.874	184.174	528.464	946

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2018.

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been appropriated with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been appropriated from distributable profit in accordance with the third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96	99,96
2. Halk Sigorta AŞ	Istanbul	89,18	95,32
3. Halk Hayat ve Emeklilik AŞ	Istanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ ^{(2) (3)}	Istanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	Istanbul	75,00	99,99
7. Halk Banka A.D., Skopje	Macedonia	99,16	99,16
8. Halk Faktoring AŞ	Istanbul	97,50	100,00
9. Bileşim Alternatif Dağıtım Kanalları AŞ	Istanbul	100,00	100,00
10. Halkbank A.D. Beograd	Serbia	100,00	100,00
11. Halk Varlık Kiralama AŞ	Istanbul	100,00	100,00

c) Information related to the subsidiaries as shown in (b): ⁽¹⁾

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair Value ⁽⁴⁾
1. 309.844	183.751	3.142	118.785	3.241	57.733	29.035	227.603
2. 2.346.676	309.373	5.704	241.162	37.762	145.122	66.061	492.895
3. 1.383.320	811.556	3.781	228.028	41.857	305.840	224.197	1.525.529
4. 1.393.185	1.041.543	654.284	5.235	-	83.202	40.638	432.290
5. 3.403.045	237.152	1.814	272.282	-	(112.634)	55.443	469.553
6. 40.773	38.676	417	6.305	203	10.130	55.443	39.828
7. 4.435.108	626.656	83.242	167.301	14.458	54.688	34.363	580.857
8. 1.419.707	164.331	1.427	328.215	-	67.679	32.041	138.296
9. 63.794	45.333	8.062	5.157	752	11.542	7.287	57.146
10. 2.762.352	539.837	54.404	93.764	12.086	15.697	6.244	406.512
11. 941.061	946	-	-	-	837	9	1.800

⁽¹⁾ The financial data is obtained from 31 December 2018 financial statements used in consolidation.

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı AŞ is valued at stock price.

⁽³⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

⁽⁴⁾ Fair values of subsidiaries have been obtained from valuation reports of the subsidiaries as of 31 December 2018.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Movement of the subsidiaries:

	Current Period
Balance at the beginning of the period	3.626.708
Movements during the period	705.773
<i>Purchase⁽¹⁾⁽²⁾⁽³⁾</i>	310.098
<i>Bonus shares obtained profit from current year's share</i>	266.211
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer⁽⁴⁾</i>	(39.375)
<i>Revaluation Increase/Decrease</i>	330.466
<i>Impairment Provisions (-)/ Reversals</i>	(161.627)
Balance at the end of the period	4.332.481
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ Between 1 January – 31 December 2018, The Bank paid TRY 202.726 for 0,11% shares of Halkbank A.D. Beograd, and increased its shares to 100%.⁽²⁾ Between 1 January – 31 December 2018, The Bank paid TRY 53.864 for 0,13% shares of Halkbank A.D., Skopje , which is located in Macedonia and increased its shares to 99,16%.⁽³⁾ In the period of 31 December 2018, The Bank paid TRY 53.508 for shares of Halk Sigorta A.Ş.⁽⁴⁾ The Bank reclassified its shares of Halk Portföy Yönetimi A.Ş., which was classified as subsidiary in prior period, under the assets held for sale and discontinued operations in the balance sheet.

	Prior Period
Balance at the beginning of the period	2.877.824
Movements during the period	748.884
<i>Purchase⁽¹⁾</i>	14.994
<i>Bonus shares obtained profit from current year's share</i>	230.201
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer</i>	-
<i>Revaluation Increase/Decrease</i>	476.127
<i>Impairment Provisions (-)/ Reversals</i>	27.562
Balance at the end of the period	3.626.708
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ As of 31 December 2017, The Bank paid TRY 14.894 for 17,42% shares of Halkbank A.D., Beograd, which is located in Serbia, and increased its shares to 99,89% and established Halk Varlık Kiralama AŞ for TRY 100 as a subsidiary.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Sectorial information on subsidiaries and the related carrying amounts:

	Current Period
Banks	987.369
Insurance companies	2.018.425
Factoring companies	138.296
Leasing companies	469.551
Financing companies	-
Other financial subsidiaries	661.694
Other non-financial subsidiaries	57.146
	Prior Period
Banks	536.971
Insurance companies	1.639.499
Factoring companies	123.683
Leasing companies	474.506
Financing companies	-
Other financial subsidiaries	799.871
Other non-financial subsidiaries	52.178

f) Subsidiaries quoted in the stock exchange:

	Current Period
Quoted to domestic stock ^{(1), (2)}	925.185
Quoted foreign stock exchange	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa İstanbul AŞ.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

	Prior Period
Quoted to domestic stock ^{(1), (2)}	993.228
Quoted foreign stock exchange	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa İstanbul AŞ.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

(9) Information on jointly controlled entities (joint ventures):

None.

(10) Information on finance lease receivables (Net):

None.

Türkiye Halk Bankası A.Ş.*Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(11) Information on derivative financial assets for hedging purposes:

None.

(12) Information on tangible assets:

The fair value of tangible assets are determined by its equivalence value method. Fair value measurement of investment properties which fair values are determined by equivalence value method, are classified as Level 2.

Current Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfer, Net	Balance at the end of the period
Cost:						
Immovable	1.594.694	21.763	80.959	11.250	-	1.686.166
Tangible assets purchased through financial lease	26.581	94	-	1.373	-	25.302
Office machines	556.055	171.341	-	79.226	-	648.170
Fixed assets obtained due to						
non-performing loans	743.604	674.608	-	181.237	4.753	1.232.222
Lease hold improvements costs	128.769	34.828	-	290	-	163.307
Other	292.011	22.747	-	22.532	-	292.226
Total Cost	3.341.714	925.381	80.959	295.908	4.753	4.047.393
Accumulated depreciation (-)						
Immovable	131.778	6.810	12.463	465	-	150.586
Tangible assets purchased through						
financial lease	25.893	228	-	1.390	-	24.731
Office machines	308.118	81.282	-	22.283	-	367.117
Fixed assets obtained due to						
non-performing loans	16.224	8.141	-	5.259	-	19.106
Lease hold improvements costs	72.983	24.855	-	1.676	-	96.162
Other	237.074	15.117	-	22.411	-	229.780
Total Accumulated Depreciation	792.070	136.433	12.463	53.484	-	887.482
Provision for impairment (-)						
Immovable	4.248	-	387	-	-	4.635
Tangible assets purchased through						
financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non- performing loans	9.617	-	-	2.255	-	7.362
Total provision for impairment (-)	13.865	-	387	2.255	-	11.997
Net Book Value	2.535.779	788.948	68.109	240.169	4.753	3.147.914

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfer, Net	Balance at the end of the period
Cost:						
Immovable	1.532.563	10.629	105.518	54.016	-	1.594.694
Tangible assets purchased through financial lease	26.796	4	-	219	-	26.581
Office machines	433.790	148.297	-	26.032	-	556.055
Fixed assets obtained due to non-performing loans	647.011	239.184	-	142.591	-	743.604
Lease hold improvements costs	135.462	19.439	-	26.132	-	128.769
Other	282.806	17.445	-	8.240	-	292.011
Total Cost	3.058.428	434.998	105.518	257.230	-	3.341.714
Accumulated depreciation (-)						
Immovable	130.293	6.499	6.392	11.406	-	131.778
Tangible assets purchased through financial lease	25.896	87	-	90	-	25.893
Office machines	255.783	55.922	-	3.587	-	308.118
Fixed assets obtained due to non-performing loans	17.155	6.180	-	7.111	-	16.224
Lease hold improvements costs	68.791	25.838	-	21.646	-	72.983
Other	229.661	14.879	-	7.466	-	237.074
Total accumulated depreciation	727.579	109.405	6.392	51.306	-	792.070
Provision for impairment (-)						
Immovable	5.817	397	-	1.966	-	4.248
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	11.025	988	-	2.396	-	9.617
Total provision for impairment (-)	16.842	1.385	-	4.362	-	13.865
Net Book Value	2.314.007	324.208	99.126	201.562	-	2.535.779

(13) Information on other intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	217.375	48.665	1.329	-	264.711
Total Cost	217.375	48.665	1.329	-	264.711
Accumulated Depreciation (-)					
Other intangible assets	103.690	48.078	27.307	-	124.461
Total Accumulated Depreciation	103.690	48.078	27.307	-	124.461
Net Book Value	113.685	587	(25.978)	-	140.250

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	151.465	73.012	7.102	-	217.375
Total Cost	151.465	73.012	7.102	-	217.375
Accumulated Depreciation (-) :					
Other intangible assets	62.872	40.932	113	-	103.690
Total Accumulated Depreciation	62.872	40.932	113	-	103.690
Net Book Value	88.593	32.080	6.989	-	113.685

(14) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	430.845	430.059
Acquisitions	1.502	786
Transfer	-	-
Disposals	-	-
Impairment Charge/Cancellation	-	-
Ending Balance	432.347	430.845
Accumulated Depreciation (-)		
Opening Balance	72.271	66.738
Amortization Charge	3.228	5.533
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
Total Accumulated Depreciation (-)	75.499	72.271
Net Book Value	356.848	358.574

(15) Information on tax assets:

Please refer to Section 5, explanations related to the liabilities footnote 10.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(16) Information on assets held for sale and held from discontinued operations:

	Current Period
Cost	39.377
Accumulated Depreciation (-)	-
Net book value	39.377
Transfer (net)	39.377
Disposals (net)	-
Additions	-
Impairment	-
Depreciation	-
Closing net book value	39.377

Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic owned by directly or indirectly all creditors. In this regard, the Bank owned 3,6562% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

Bank's subsidiary Halk Portföy Yönetimi A.Ş. is going to be merged with Ziraat Portföy Yönetimi A.Ş. by acquisition. The merger value of Halk Portföy Yönetimi A.Ş. has been determined as TRY 52,500 in the "Valuation Report" for the shares held by the Bank and its subsidiaries. The Bank's carrying value of the shares are TRY 39.375.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 3.643.082 and does not exceed 10% of the balance sheet total (31 December 2017: TRY 1.928.383).

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES**(1) Information on maturity structure of deposits / funds collected:****a) For deposit / funds collected:****Current period:**

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.742.100	-	1.948.028	45.655.985	4.207.981	2.061.570	792.495	101.935	61.510.094
Foreign currency deposits	13.245.040	-	7.574.582	53.656.357	7.229.616	2.473.782	6.122.732	11.268	90.313.377
Residents in Turkey	11.173.107	-	6.767.449	50.285.363	6.849.844	1.790.411	3.681.216	10.784	80.558.174
Residents abroad	2.071.933	-	807.133	3.370.994	379.772	683.371	2.441.516	484	9.755.203
Public sector deposits	2.920.272	-	2.293.652	3.890.644	1.257.655	1.186.540	16.715	-	11.565.478
Commercial inst. deposits	5.017.840	-	10.189.875	19.475.304	2.147.885	2.213.406	277.424	-	39.321.734
Other inst. deposits	736.010	-	344.876	5.478.120	2.459.517	2.055.496	571.269	-	11.645.288
Precious metals	3.132.484	-	1.446	353.335	16.328	22.150	32.098	-	3.557.841
Interbank deposits	20.729.135	877.735	9.019.200	177.010	4.116	134.246	30.941.442		
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	116.071	-	370.153	6.526.936	17.765	4.116	6.247	-	7.041.288
Foreign banks	20.120.093	-	32.606	2.173.434	-	-	127.999	-	22.454.132
Participation banks	492.971	-	474.976	318.830	159.245	-	-	-	1.446.022
Total	52.522.881	-	23.230.194	137.528.945	17.495.992	10.017.060	7.946.979	113.203	248.855.254

Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.767.489	-	758.785	39.992.067	1.734.753	459.667	537.645	104.662	50.355.068
Foreign currency deposits	8.008.356	-	3.696.152	37.428.468	3.423.792	3.242.831	4.403.028	10.866	60.213.493
Residents in Turkey	6.931.110	-	3.492.102	34.841.449	3.232.691	2.913.211	2.590.680	10.511	54.011.754
Residents abroad	1.077.246	-	204.050	2.587.019	191.101	329.620	1.812.348	355	6.201.739
Public sector deposits	2.100.039	-	2.541.047	4.614.515	426.883	4.138.990	53.204	-	13.874.678
Commercial inst. deposits	5.269.756	-	5.949.835	22.323.639	1.874.852	2.288.182	267.237	-	37.973.501
Other inst. deposits	571.038	-	1.134.603	6.514.654	675.153	820.826	20.045	-	9.736.319
Precious metals	1.821.711	-	246	82.140	4.392	4.069	10.080	-	1.922.638
Interbank deposits	3.818.918	-	3.815.807	11.190.949	74.936	9.579	241.183	-	19.151.372
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	41.051	-	1.531.378	6.900.085	6.559	9.579	-	-	8.488.652
Foreign banks	3.769.119	-	1.926.952	3.928.843	68.377	-	164.290	-	9.857.581
Participation banks	8.748	-	357.477	362.021	-	-	76.893	-	805.139
Total	28.357.307	-	17.896.475	122.146.432	8.214.761	10.964.144	5.532.422	115.528	193.227.069

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	Current Period	Current Period
Saving deposits	29.259.703	32.011.973
Foreign currency saving deposits	10.687.058	32.319.474
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	349.453	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	Prior Period	Prior Period
Saving deposits	25.612.387	24.595.796
Foreign currency saving deposits	8.155.310	19.353.149
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	211.478	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period
Foreign branches' saving deposits and other accounts	215.452
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	3.066
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

264

	Prior Period
Foreign branches' saving deposits and other accounts	143.237
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	2.517
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

(2) Information on derivative financial liabilities held for trading:

Negative differences table related to the derivative financial liabilities held-for-trading:

	Current Period	
	TRY	FC
Forward transactions	-	98.286
Swap transactions	-	302.162
Future transactions	-	-
Options	16	9.974
Other	-	-
Total	16	410.422

	Prior Period	
	TRY	FC
Forward transactions	-	88.826
Swap transactions	-	61.405
Future transactions	-	-
Options	146	145
Other	-	-
Total	146	150.376

(3) Information on funds borrowed:**a) Information on Banks and other financial instruments:**

	Current Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	372.398	1.456.532
Foreign banks, institutions and funds	-	10.087.097
Total	372.398	11.543.629

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	310.374	1.907.998
Foreign banks, institutions and funds	154.652	14.645.094
Total	465.026	16.553.092

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	372.030	1.802.519
Medium and long-term	368	9.741.110
Total	372.398	11.543.629

	Prior Period	
	TRY	FC
Short-term	309.378	4.561.408
Medium and long-term	155.648	11.991.684
Total	465.026	16.553.092

c) Additional disclosures related to the concentrations of the Bank's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed: Main liability of the Bank is deposits, which is composed of 24,72% of saving deposits and 36,29% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 48,37% of bank deposits and 43,08% of other deposits consist of foreign currency deposits.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Funds provided through repurchase transactions:

	Current Period	
	TRY	FC
Domestic Transactions	2.163.668	-
Financial Institutions and Organisations	1.284.000	-
Other Institutions and Organisations	843.543	-
Individuals	36.125	-
Foreign Transactions	281	5.301.576
Financial Institutions and Organisations	-	5.301.576
Other Institutions and Organisations	-	-
Individuals	281	-
Discounts	5.217	100.697
TOTAL	2.169.166	5.402.273

	Prior Period	
	TRY	FC
Domestic Transactions	188.679	-
Financial Institutions and Organisations	35.000	-
Other Institutions and Organisations	119.913	-
Individuals	33.766	-
Foreign Transactions	520	4.127.464
Financial Institutions and Organisations	-	4.127.464
Other Institutions and Organisations	-	-
Individuals	520	-
Discounts	210	13.284
TOTAL	189.409	4.140.748

(4) Marketable securities issued:

	Current Period	
	TRY	FC
Bonds	2.011.697	-
Treasury Bills	-	12.024.839
Assets Backed Securities	1.011.442	-
Total	3.023.139	12.024.839

	Prior Period	
	TRY	FC
Bonds	2.713.759	-
Treasury Bills	-	8.640.905
Total	2.713.759	8.640.905

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under Secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

Maturity structure of funds:

Current Period	
Short Term	Long Term
1.080	2.873.041
Prior Period	
Short Term	Long Term
1.213	2.723.421

(6) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total. (31 December 2017: Other liabilities balance does not exceed 10% of the balance sheet total).

(7) Information on finance lease payables (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the TAS.

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "Other Assets". The Bank does not have any commitments arising on the existing operational lease agreements.

(8) Information on derivative financial liabilities for hedging purposes:

None.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(9) Explanations on provisions:**a) Information on general provisions:**

As of the current period, provisions for expected losses for the first and the second stage loans related with TFRS 9 are explained in Section 5, explanations related to the assets footnote (5-b).

	Prior Period
General provision	2.288.701
Provisions for first group loans and receivables	2.057.879
Provisions for second group loans and receivables	100.590
Provisions for non-cash loans	130.232
Other	-

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

As of 31 December 2018 the Bank's the amount of the currency differences on foreign currency indexed loans and finance lease receivables is none. (31 December 2017: TRY 1.923).

c) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2018, the Bank's specific provision for unindemnified non-cash loans balance is TRY 169.363 (31 December 2017: TRY 122.876).

d) Information on other provisions:

Total other provision balance amounting to TRY 966.686 (31 December 2017: TRY 324.167) consists of TRY 169.363 (31 December 2017: TRY 122.876) for specific provisions of unindemnified and unfunded non cash loans, TRY 196.831 for expected loss amount of non-cash loans, TRY 115.020 (31 December 2017: TRY 107.231) for legal cases filed against the Bank, TRY 414.000 (31 December 2017: None) general provision for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions and TRY 71.472 (31 December 2017: TRY 94.060) of other provisions.

e) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2018 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	12,00%	8,90%
Discount Rate	16,30%	12,30%
Estimated Real Wage Growth Rate	12,20%	9,10%

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	461.909	399.423
Charge for the year	45.877	38.718
Interest Expense	56.068	44.030
Actuarial gain/loss	(24.758)	11.330
Prior period service cost composed current period	-	52
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	3.288	8.229
Benefits paid within the period (-)	(34.499)	(39.873)
Total	507.885	461.909

f) Liabilities for employee benefits:

As of 31 December 2018, unused vacation accruals are TRY 103.077, personnel dividend provision is TRY 256.105, severance indemnity provision for Bank personnel is TRY 507.885 and severance indemnity provision for outsourcing firms is TRY 20.161 (31 December 2017: TRY 157.035 for unused vacation accruals; TRY 461.909 for severance indemnity provision for Bank personnel; TRY 17.483 for severance indemnity provision for outsources; TRY 199.665 for personnel dividend provision).

The Bank accounts for actuarial gains / losses under equity commencing from 1 January 2013.

g) Liabilities arising from retirement benefits:

g.1. Liabilities of pension funds founded as per the Social Security Institution:

None.

g.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2018, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı and T.C. Ziraat Bankası ve Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2018, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

Assumptions	Current Period	Prior Period
Discount Rate	9,8%	9,8%
Mortality Rate	CSO 1980 women/men	CSO 1980 women/men

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law numbered 506. As of 31 December 2018, the number of personnel who benefit from the Fund is 36.012 (31 December 2017: 34.631).

Türkiye Halk Bankası A.Ş.*Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Below table shows the present values of premiums and salary payments as of 31 December 2018, by taking into account the health expenses within the Social Security Institution limits.

Transferable Pension and Medical Benefits:	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(2.561.914)	(1.938.100)
Net Present Value of Long Term Insurance Line Premiums	2.944.078	2.167.717
Net Present Value of Total Liabilities Other Than Health	382.164	229.617
Net Present Value of Health Liabilities	(538.003)	(435.970)
Net Present Value of Health Premiums	1.839.474	1.354.206
Net Present Value of Health Liabilities	1.301.471	918.236
Pension Fund Assets	2.469.532	1.911.745
General Administration Expenses (1%)	(30.999)	(23.741)
Amount of Actuarial and Technical Deficit	4.122.168	3.035.857

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
Banks	1.386.529	1.104.186
Marketable Securities	908.197	644.310
Property and Equipment	112.560	126.403
Other	62.246	36.846
Total	2.469.532	1.911.745

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

Change in Assumptions (%)

Assumptions	Pension Benefits	Death Benefits	Medical Benefits	Total
Discount rate+1%	<(0,1%)	(18,0%)	(18,2%)	(18,2%)
Discount rate -1%	<0,1%	24,2%	24,6%	24,6%
Inflation rate +1%	<0,1%	24,5%	30,8%	30,7%
Inflation rate -1%	<(0,1%)	(18,3%)	(21,7%)	(21,6%)

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2018, the Bank's current tax asset is amounting to TRY 6.042. (As of 31 December 2017, corporate tax payable amount is TRY 145.941).

a.2. Information on taxes payable:

	Current Period
Corporate tax payable	-
Income on securities tax	419.083
Property income tax	1.879
Banking and insurance transactions tax (BITT)	172.999
Foreign exchange transactions tax	13
Value added tax payable	-
Other	42.750
Total	636.724

	Prior Period
Corporate tax payable	145.941
Income on securities tax	328.111
Property income tax	1.570
Banking and insurance transactions tax (BITT)	97.579
Foreign exchange transactions tax	21
Value added tax payable	-
Other	31.405
Total	604.627

a.3. Information on premiums:

	Current Period
Social insurance premiums-employee	20
Social insurance premiums-employer	25
Bank social aid pension fund premium-employee	12.674
Bank social aid pension fund premium-employer	17.609
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	922
Unemployment insurance-employer	1.805
Other	230
Total	33.285

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period
Social insurance premiums-employee	18
Social insurance premiums-employer	21
Bank social aid pension fund premium-employee	9.221
Bank social aid pension fund premium-employer	12.800
Pension fund membership fees-employee	
and provisions-employee	-
Pension fund membership fees-employer	
and provisions-employer	-
Unemployment insurance-employee	-
Unemployment insurance-employer	-
Other	2.120
Total	24.180

b) Information deferred tax liability:

	Current Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	753.154
Revaluation of Financial Assets	(1.634.098)
Other	428.175
Deferred Tax (Asset) /Liability:	(452.769)
Deferred tax accounted in shareholders' equity	(158.766)
Fair value through other comprehensive income arising from securities	(9.180)
Actuarial gains and losses	(2.386)
Valuation of subsidiaries	-
Property revaluation	(147.200)

⁽¹⁾ Provisions are comprised of the employee termination benefits and other provisions.

	Prior Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	224.505
Revaluation of Financial Assets	(601.224)
Other	(193.689)
Deferred Tax (Asset) /Liability:	(570.408)
Deferred tax accounted in shareholders' equity	(49.739)
Fair value differences for available for sale financial assets	89.175
Actuarial gains and losses	2.566
Subsidiaries Valuation	-
Property Revaluation	(141.480)

⁽¹⁾ Provisions are comprised of the employee termination benefits and other provisions.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(12) Explanations on the number of subordinated loans the Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

Information on Subordinated Loans	Current Period	
	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	-
Subordinated loans	-	-
Subordinated debt instruments	-	-
Debt instruments to be included in contribution capital calculation	6.182.084	-
Subordinated loans	-	-
Subordinated debt instruments	6.182.084	-
Total	6.182.084	-

* Detailed information is given in Section 4, footnote I.

Subordinated debts	Prior Period	
	TRY	FC
Domestic Banks	-	-
Other Domestic Institutions	1.004.385	-
Foreign Banks	-	-
Other Foreign Institutions	-	-
Total	1.004.385	-

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The Bank has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.404.394	291.471
Valuation differences	1.404.394	291.471
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	(24.601)	(167.172)
Valuation differences	(24.601)	(167.172)
Exchange rate difference	-	-
Total	1.379.793	124.299

	Prior Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.349.055	311.604
Valuation differences	1.349.055	311.604
Exchange rate difference	-	-
Financial assets available for sale	(382.871)	(252.259)
Valuation differences	(382.871)	(252.259)
Exchange rate difference	-	-
Total	966.184	59.345

i) Legal Reserves

	Current Period	Prior Period
I. Legal Reserve	1.270.414	1.085.930
II. Legal Reserve	585.488	553.144
Special Reserves	8.364	6.575
Total	1.864.266	1.645.649

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

j) Extraordinary Reserves:

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	18.563.848	15.243.277
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital (-)	-	-
Total	18.563.848	15.243.277

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period
Commitments for credit card expenditure limits	12.674.648
Payment commitments for cheques	2.661.413
Loan granting commitments	4.611.884
Two days forward foreign exchange buy/sell transactions	2.036.669
Commitments for credit cards and banking services promotions	31.409
Tax and fund liabilities from export commitments	65.280
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.691.303
Total	25.772.606

Types of irrevocable commitments	Prior Period
Commitments for credit card expenditure limits	11.562.109
Payment commitments for cheques	3.269.281
Loan granting commitments	4.646.052
Two days forward foreign exchange buy/sell transactions	910.451
Commitments for credit cards and banking services promotions	32.736
Tax and fund liabilities from export commitments	38.072
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.536.993
Total	23.995.694

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current Period
Letters of credit	3.136.394
Bank acceptances	7.050.260
Other guarantees	2.000.953
Total	12.187.607
	Prior Period
Letters of credit	4.134.031
Bank acceptances	3.693.507
Other guarantees	1.306.244
Total	9.133.782

b.2. Certain guarantees, tentative guarantees, sureties and similar transactions:

	Current Period
Letters of certain guarantees	17.065.885
Letters of advance guarantees	6.037.362
Letters of tentative guarantees	804.609
Letters of guarantee given to customs offices	1.742.025
Other letters of guarantee	45.202.337
Total	70.852.218
	Prior Period
Letters of certain guarantees	14.770.283
Letters of advance guarantees	4.269.905
Letters of tentative guarantees	738.388
Letters of guarantee given to customs offices	1.327.250
Other letters of guarantee	28.295.040
Total	49.400.866

c) Total non-cash loans:

	Current Period
Non-cash loans for providing cash loans	6.481.383
<i>Within one year or less original maturity</i>	<i>1.974.877</i>
<i>Within more than one year maturity</i>	<i>4.506.506</i>
Other non-cash loans	76.558.442
Total	83.039.825

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period
Non-cash loans for providing cash loans	2.855.170
<i>Within one year or less original maturity</i>	562.688
<i>Within more than one year maturity</i>	2.292.482
Other non-cash loans	55.679.478
Total	58.534.648

d.1. Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	87.601	0,23	104.638	0,23	37.475	0,13	56.930	0,19
<i>Farming and Stockbreeding</i>	64.687	0,17	14.324	0,03	30.793	0,11	10.470	0,04
<i>Forestry</i>	520	0,00	-	0,00	183	-	-	-
<i>Fishery</i>	22.394	0,06	90.314	0,20	6.499	0,02	46.460	0,15
Manufacturing	7.894.909	21,24	23.935.831	52,19	7.184.357	25,46	13.971.045	46,09
<i>Mining and Quarrying</i>	156.756	0,42	406.557	0,89	113.424	0,40	39.814	0,13
<i>Production</i>	5.271.059	14,18	22.746.036	49,59	4.043.858	14,33	13.611.441	44,91
<i>Electricity, Gas and Water</i>	2.467.094	6,64	783.238	1,71	3.027.075	10,73	319.790	1,05
Construction	11.899.549	32,02	9.972.683	21,74	8.039.874	28,49	8.595.348	28,36
Services	16.504.232	44,41	11.730.714	25,56	12.641.942	44,79	7.539.584	24,87
<i>Wholesale and Retail Trade</i>	8.616.472	23,18	5.179.942	11,27	6.465.350	22,90	2.798.868	9,23
<i>Accommodation and Dining</i>	165.427	0,45	1.604.699	3,50	82.979	0,29	813.784	2,68
<i>Transportation and Telecom.</i>	499.807	1,34	2.842.128	6,20	306.795	1,09	1.693.266	5,59
<i>Financial Institutions</i>	4.213.553	11,35	257.450	0,56	3.340.475	11,84	356.521	1,18
<i>Real Estate and Rental Services</i>	2.605.931	7,01	1.732.404	3,78	2.155.546	7,64	1.789.761	5,90
<i>Professional Services</i>	22.065	0,06	694	0,00	20.133	0,07	839	-
<i>Educational Services</i>	74.897	0,20	60.487	0,13	89.042	0,32	48.158	0,16
<i>Health and Social Services</i>	306.080	0,82	52.910	0,12	181.622	0,64	38.387	0,13
Other	781.644	2,10	128.024	0,28	318.327	1,13	149.766	0,49
Total	37.167.935	100,00	45.871.890	100,00	28.221.975	100,00	30.312.673	100,00

d.2. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	36.494.262	45.054.137	673.673	817.753
Letters of Guarantee	34.491.693	34.928.899	673.673	757.953
Bills of Exchange and Bank Acceptances	11.845	7.009.375	-	29.040
Letters of Credit	119.895	2.985.739	-	30.760
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	1.870.829	130.124	-	-

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Information on derivative financial instruments:

Derivative transactions according to purposes				
	Trading Derivatives		Derivative Financial Instruments held for Risk Management	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign Currency related Derivative Transactions (I):	28.575.161	17.223.111	-	-
Currency Forwards-Purchases/Sales	7.049.313	9.087.334	-	-
Currency Swaps-Purchases/Sales	15.666.602	6.255.356	-	-
Currency Futures-Purchases/Sales	-	-	-	-
Currency Options-Purchases/Sales	5.859.246	1.880.421	-	-
Interest Rate related Derivative Transactions (II)	17.392.884	10.886.762	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Swaps-Purchases/Sales	17.392.884	10.886.762	-	-
Interest Rate Options-Purchases/Sales	-	-	-	-
Interest Rate Futures-Purchases/Sales	-	-	-	-
Other Trading Derivatives (III) ⁽¹⁾	2.239.469	2.730.418	-	-
A. Total Trading Derivatives (I+II+III)	48.207.514	30.840.291	-	-
Derivative Financial Instruments held for Risk Management	-	-	-	-
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-	-	-
Total Derivative Transactions (A+B)	48.207.514	30.840.291	-	-

⁽¹⁾ Other trading derivatives consist of forward buying and selling precious contracts amounting to TRY 89.699 and TRY 2.149.770, respectively.

f) Information on contingent liabilities and assets:

Bank's commitments for the cheques given to customers are TRY 2.661.413 (31 December 2017: TRY 3.269.281).

g) Services provided on behalf of others:

None.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	8.194.112	333.178
Medium and long term loans	15.471.162	4.551.930
Interest on non-performing loans	261.445	-
Premiums from resource utilization support fund	-	-
Total	23.926.719	4.885.108

⁽¹⁾ Includes fees and commissions obtained from cash loans.

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	4.464.719	195.196
Medium and long term loans	11.058.972	3.107.562
Interest on non-performing loans	133.052	-
Premiums from resource utilization support fund	-	-
Total	15.656.743	3.302.758

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current Period	
	TRY	FC
CBRT	427.986	80.777
Domestic banks	70.616	31.103
Overseas banks	10.272	9.421
Head office and branches	-	-
Total	508.874	121.301

	Prior Period	
	TRY	FC
CBRT	99.640	83.263
Domestic banks	10.423	12.557
Overseas banks	8.409	12.801
Head office and branches	-	-
Total	118.472	108.621

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c) Interest income on marketable securities:

	Current Period	
	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	13.891	1.414
Financial Assets at Fair Value through Other Comprehensive Income	221.731	66.375
Financial Assets Measured at Amortized Cost	6.192.891	548.352
Total	6.428.513	616.141

	Prior Period	
	TRY	FC
Financial assets held for trading	1.085	29
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	1.258.256	283.684
Held-to-maturity investments	2.024.544	135.374
Total	3.283.885	419.087

d) Interest income from subsidiaries and associates:

	Current period
Interest income from subsidiaries and associates	49.280

	Prior period
Interest income from subsidiaries and associates	48.427

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period	
	TRY	FC
Banks	34.858	407.116
CBRT	1	-
Domestic banks	24.835	29.156
Overseas banks	10.022	377.960
Overseas head office and branches	-	-
Other institutions	11	20.134
Total	34.869	427.250

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period	
	TRY	FC
Banks	31.533	334.911
CBRT	-	279
Domestic banks	18.905	25.475
Overseas banks	12.628	309.157
Overseas head office and branches	-	-
Other institutions	12	14.347
Total	31.545	349.258

b) Interest expenses to subsidiaries and associates:

	Current Period
Interest expenses to subsidiaries and associates	481.229

	Prior Period
Interest expenses to subsidiaries and associates	283.664

c) Information on interest expenses to marketable securities issued:

	Current Period	
	TRY	FC
Interest on securities issued	919.824	543.720
Total	919.824	543.720

	Prior Period	
	TRY	FC
Interest on securities issued	323.500	466.409
Total	323.500	466.409

Türkiye Halk Bankası A.Ş.*Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Maturity structure of interest expenses on deposits:

Current Period		Time deposits						
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	Total
TRY								
Bank deposits	1.504	405.773	525.324	48.880	691	-	-	982.172
Saving deposits	5	317.695	7.368.649	310.727	119.538	59.977	9.931	8.186.522
Public deposits	106	268.493	544.146	101.996	271.430	3.570	-	1.189.741
Commercial deposits	19	1.256.483	3.807.186	413.078	254.973	38.034	-	5.769.773
Other deposits	-	122.682	1.346.118	193.824	396.049	5.747	-	2.064.420
7 days call accounts	-				-			
Total	1.634	2.371.126	13.591.423	1.068.505	1.042.681	107.328	9.931	18.192.628
Foreign currency								
Deposits	1.052	135.150	1.737.375	122.754	97.333	124.184	-	2.217.848
Bank deposits	9	305.125	-	-	-	-	-	305.134
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	29	2.808	266	319	545	-	3.967
Total	1.061	440.304	1.740.183	123.020	97.652	124.729	-	2.526.949
Grand total	2.695	2.811.430	15.331.606	1.191.525	1.140.333	232.057	9.931	20.719.577

Prior Period	Time deposits							
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	Total
TRY								
Bank deposits	318	336.521	309.222	914	558	-	-	647.533
Saving deposits	6	74.481	3.997.373	150.964	45.425	45.682	8.751	4.322.682
Public deposits	47	178.874	298.891	66.829	392.510	4.394	-	941.545
Commercial deposits	25	421.898	2.110.101	289.797	254.904	15.738	-	3.092.463
Other deposits	-	62.220	371.336	78.037	52.286	8.526	-	572.405
7 days call accounts	-	-	-	-	-	-	-	-
Total	396	1.073.994	7.086.923	586.541	745.683	74.340	8.751	9.576.628
Foreign currency								
Deposits	35	76.364	1.168.847	212.135	51.765	64.247	-	1.573.393
Bank deposits	-	189.623	-	-	-	-	-	189.623
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	153	-	-	-	-	-	-	153
Total	188	265.987	1.168.847	212.135	51.765	64.247	-	1.763.169
Grand total	584	1.339.981	8.255.770	798.676	797.448	138.587	8.751	11.339.797

(3) Information on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through other Comprehensive Income	3.547
Other	506.810
Total	510.357

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period
Financial Assets Held for Trading	-
Financial Assets Valued at Fair Value through Profit or Loss	-
Financial Assets Available-for-Sale	3.823
Other	263.391
Total	267.214

(4) a) Information on trading profit/loss:

	Current Period
Profit	52.746.145
Profit from the capital market operations	47.492
Profit on derivative financial instruments	5.865.670
Foreign exchange gains	46.832.983
Loss (-)	52.596.890
Loss from the capital market operations	17.622
Loss on derivative financial instruments	3.930.907
Foreign exchange losses	48.648.361

	Prior Period
Profit	44.119.579
Profit from the capital market operations	46.601
Profit on derivative financial instruments	1.809.805
Foreign exchange gains	42.263.173
Loss (-)	44.083.710
Loss from the capital market operations	13.481
Loss on derivative financial instruments	2.008.527
Foreign exchange losses	42.061.702

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	5.865.670	1.809.805
Effect of the change in foreign exchange on profit	5.703.044	1.753.710
Effect of the change in interest rate on profit	162.626	56.095
Loss on derivative financial instruments (-)	3.930.907	2.008.527
Effect of the change in foreign exchange on loss	3.798.071	1.959.558
Effect of the change in interest rate on loss	132.836	48.969
Profit/loss on derivative financial instruments	1.934.763	(198.722)

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(5) Information on other operating income:

	Current Period
Adjustments for prior period expenses	419.069
Income from the asset sale	123.169
Rent income	42.143
Other income	40.093
Total	624.474

	Prior Period
Adjustments for prior period expenses	416.559
Receivable from the asset sale	104.526
Rent income	34.678
Other income	44.872
Total	600.635

(6) Impairment losses on loans and other receivables:

	Current Period
Expected Credit Loss	2.354.618
12 Month Expected Credit Loss (Stage 1)	60.111
Significant Increase in Credit Risk (Stage 2)	449.482
Non – Performing Loans (Stage 3)	1.845.025
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other	780.455
Total	3.135.073

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period
Specific provisions on loans and receivables	1.120.888
<i>Group - III loans and receivables</i>	367.422
<i>Group - IV loans and receivables</i>	528.320
<i>Group - V loans and receivables</i>	225.146
General loan provision expenses	260.737
Provision expenses for possible losses	-
Marketable securities impairment losses	-
<i>Financial assets at fair value through profit and loss</i>	-
<i>Financial assets available for sale</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Jointly controlled entities (joint ventures)</i>	-
<i>Investments held-to-maturity</i>	-
Other	87.702
Total	1.469.327

(7) Information on other operating expenses:

	Current Period
Personnel expenses	2.393.536
Reserve for employee termination benefits	73.412
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	387
Depreciation expenses of fixed assets	129.151
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	35.508
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	-
Amortization expenses of assets that will be disposed of	7.846
Impairment expense for property and equipment held for sale	-
Other operating expenses	1.894.299
<i>Operational leasing expenses</i>	286.746
<i>Maintenance expenses</i>	47.059
<i>Advertisement expenses</i>	195.096
<i>Other expenses</i>	1.365.398
Loss on sales of assets	99
Other	926.192
Total	5.460.430

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

286

	Prior Period
Personnel expenses	1.982.248
Reserve for employee termination benefits	95.011
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	410
Depreciation expenses of fixed assets	101.501
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	40.932
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	-
Amortization expenses of assets that will be disposed of	13.437
Impairment expense for property and equipment held for sale	-
Other operating expenses	1.686.544
Operational leasing expenses	236.894
Maintenance expenses	40.534
Advertisement expenses	219.991
Other expenses	1.189.125
Loss on sales of assets	363
Other	632.272
Total	4.552.718

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 8.079.578 of net interest income and TRY 1.949.657 of net fees and commissions. The profit from continuing operations before tax of the Bank is amounting to TRY 2.717.818.

(9) Information on tax provisions for continuing and discontinued operations:

For the period then ended 31 December 2018, the Bank's tax provision amounting to TRY 196.023 consists of TRY 9.840 of current tax charge and TRY 1.144.825 of deferred tax charge, TRY 958.642 of deferred tax income.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

As of 31 December 2018, the Bank's net operating income after tax is amounting to TRY 2.521.795.

(11) Information on operating results needed for better understanding of the Bank's performance:

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

(12) Other items in income statements:

Other items do not exceed 10% of the income statement.

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

(1) Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 10.303.180 increase for the year 2018 (31 December 2017: TRY 17.632.659). "Other" item in operating profit is composed of other operating expenses excluding fees and commissions expense, foreign exchange gain, other operating income and personnel expenses and decrease by TRY 12.978.280 for the year 2018 (31 December 2017: TRY 4.891.271 decrease).

For the year ended 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 5.212.885 increase (31 December 2017: TRY 908.274 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

(2) Items used in determination of cash and cash equivalents: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies: None.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	36.373.039	29.999.160
Cash in TRY and foreign currency	2.119.116	1.476.798
Central Bank and others ⁽¹⁾	34.253.923	28.522.362
Cash equivalents	7.348.489	1.644.687
Demand and Time Deposits Up to 3 Months	6.089.842	1.644.687
Money Market Placements	1.258.647	-
Cash and Banks	43.721.528	31.643.847
Reserve deposits in Central Bank of Turkey	(16.506.119)	(17.217.278)
Accruals on reserve deposits in Central Bank of Turkey	(89.784)	(36.875)
Accruals on banks	(1.092)	(901)
Accruals on the money market placements	(2.669)	-
Total Cash and Cash Equivalents	27.121.864	14.388.793

⁽¹⁾ Others items include cheques received.

(5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	34.957.050	36.373.039
Cash in TRY and foreign currency	4.417.864	2.119.116
Central Bank and others ⁽¹⁾	30.539.186	34.253.923
Cash Equivalents	5.136.433	7.348.489
Demand and Time Deposits Up to 3 Months	5.136.433	6.089.842
Money Market Placements	-	1.258.647
Cash and Banks	40.093.483	43.721.528
Reserve deposits in Central Bank of Turkey	(16.237.014)	(16.506.119)
Accruals on reserve deposits in Central Bank of Turkey	(223.863)	(89.784)
Accruals on banks	(987)	(1.092)
Accruals on the money market placements	-	(2.669)
Total Cash and Cash Equivalents	23.631.619	27.121.864

⁽¹⁾ Others items include cheques received.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK

(1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Information on the Loans of the Bank's risk group:

Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	967.161	234.553	-	-	-	-
Closing balance	1.377.511	224.571	-	-	-	-
Interest and commissions income	49.280	1.151	-	-	-	-

Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	1.078.414	219.823	-	-	-	-
Closing balance	967.161	234.553	-	-	-	-
Interest and commissions income	48.427	631	-	-	-	-

b) Deposits held by the Bank's risk group:

Current Period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Deposits	Current Period	Current Period	Current Period
Beginning balance	2.857.226	-	-
Closing Balance	2.889.487	-	-
Interest expense on deposits	469.702	-	-

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Unconsolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Deposits	Prior Period	Prior Period	Prior Period
Beginning balance	1.733.533	-	-
Closing Balance	2.857.226	-	-
Interest expense on deposits	280.677	-	-

c) Forward and option contracts and similar transactions with the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Financial Assets At Fv Through Profit And Loss	Current Period	Current Period	Current Period
Beginning balance	11.936	-	-
Closing Balance	109.322	-	-
Total Profit/Loss	(318)	-	-

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Financial Assets At Fv Through Profit And Loss	Prior Period	Prior Period	Prior Period
Beginning balance	-	-	-
Closing Balance	11.936	-	-
Total Profit/Loss	107	-	-

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates. In addition, the Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of "Brokerage Order Contract". Additionally, Halk Portföy Yönetimi AŞ is engaging in fund management of Bank's funds.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% compared to the amounts in the financial statements
Cash loans	1.377.511	0,55
Non-cash loans	224.571	0,27
Deposits	2.889.487	1,16
Forward and option contracts	109.322	0,23

Pricing of these transactions are in accordance with the general pricing policies of the Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 10.717 as of 31 December 2018 (31 December 2017: TRY 8.894).

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of Employees	Countries	Total Assets	Capital Legal
Domestic Branches	988	18.713			
Abroad Agencies	3	4	Teheran/IRAN		
			London/ENGLAND		
			Singapore/SINGAPORE		
Overseas Branches	5	61	Kyrenia/ TRNC	1.328.014	-
Off-shore Branches	1	3	Manama/BAHRAIN	23.374.933	-

(2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 28 branches during the year 2018.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Unconsolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

The Bank's shares in the capital of Halk Portföy Yönetimi A.Ş., as classified under Assets Held For Sale, has been transferred to Ziraat Portföy Yönetimi A.Ş. as of January 02, 2019.

In January 2019, the Bank's subsidiary Halk Banka A.D., Skopje acquired an insurance company named Nova Osiguruvanje established in Macedonia.

SECTION VI: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS

One of the Bank's former directors has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the Bank such as appeal and other legal rights following the first phase of the trial.

The Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank.

The Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and Money transfers are open and transparent, and easily be monitored by authorities. The Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Bank placed a high importance on this matter and established a separate "Compliance Department". The Bank is receiving advisory services from an international expert firm in forming effectiveness of this department's policies and control procedures and processes.

SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The Bank's publicly available unconsolidated interim financial statements and footnotes as of 31 December 2018 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 14 February 2019 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

Türkiye Halk Bankası Anonim Şirketi

Consolidated Financial Statements as of and for the Year Ended 31 December 2018 with Auditors' Report Thereon

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34398
İstanbul, Türkiye

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010
www.deloitte.com.tr

Mersis No: 0291001097600016
Ticari Sicil No : 304099

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)
INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Türkiye Halk Bankası A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Qualified Opinion

We have audited the consolidated financial statements of Türkiye Halk Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of income, consolidated statement of income and expense items accounted for under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Qualified Opinion

The accompanying consolidated financial statements as at 31 December 2018, include a general reserve amounting to TRY 451.000 thousand, provided by the Group management for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions. If such general provision was not provided, as at 31 December 2018, other provisions would decrease by TRY 451.000 thousand, prior periods' income would increase by TRY 17.000 and net profit would increase by TRY 434.000 thousand.

The Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard ("TFRS") 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 31 December 2018 amounted to TRY 17.904.805 thousand. If such classification were not made, total assets and shareholders' equity excluding tax effect would be lower by TRY 2.597.814 thousand as at 31 December 2018.

We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Emphasis of Matter

We draw attention to the following:

As detailed in Section 6 Note 1, one of the Bank's former directors has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the Bank such as appeal and other legal rights following the first phase of the trial.

The Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank. The Bank is also closely following this trial by hiring external legal counsel resident in the USA.

Separate from this trial, there is an uncertainty of any negative decisions by the USA authorities against the Bank affecting its financial position, if any. The Bank's management indicated that there are no enforcement or other actions against the Bank at this stage. No provision has been made in the accompanying consolidated financial statements related to this matter. Our opinion is not modified in respect of this matter.

4) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Impairment of loans in accordance with TFRS 9</p> <p>Impairment of loans is a key area of judgement for the management. The Group has the total loans and receivables amounting to TRY 258.709.268 thousands, which comprise 67% of the Group's total assets in its consolidated financial statements and the total provision for impairment amounting to TRY 9.027.374 as at 31 December 2018.</p> <p>As of 1 January 2018, the Group has started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this respect, as of 31 December 2017, the method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section III Note XXVI of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p>	<p>As part of our audit work, the following procedures were performed:</p> <p>We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Group with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p>We have read and analysed the relevant contract terms to assess management's accounting policy and classification of the instrument for selected samples.</p> <p>We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.</p>

Deloitte.

296

Key Audit Matter

The Group exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.

There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.

Related explanations relating to the impairment of loans and receivables are presented in Section V Note I.5.

How the matter was addressed in the audit

We have tested relevant inputs and assumption used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.

We have tested historical loss data to validate the completeness and accuracy of key parameters.

We have tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets' exposure periods.

We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.

Based on our discussions with the Group management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.

Our specialists are involved in all procedures related to models and assumptions.

We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loans and receivables and related impairment provisions.

First time adaptation of TFRS 9 Financial Instruments Standard

As of 1 January 2018, the Group started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. TFRS 9 standard introduced significant changes in accounting policies and required adjustments to be made to the amounts previously recognized in accordance with the transition rules.

For the first time adoption of TFRS 9, the Group included more significant estimates and judgments in determining the business model and the cash flows characteristics of contracts. Since the Group had a fundamental change in its financial reporting framework and had an impact on many significant financial statement line-items, the first time adoption of TFRS 9 has been considered as a key audit matter.

Explanations on the equity effects of TFRS 9 transition are disclosed in Section III Note VII.

Our audit work included the following procedures:

The Group's IFRS 9 policy of the classification of financial assets and financial liabilities has been read and compared with the requirements of TFRS 9.

The Group's contractual cash flows tests for its financial instruments have been reviewed, its criteria and results have been evaluated.

The appropriateness of the opening balance adjustments and the disclosures presented were checked.

The procedures applied for the expected credit losses are set out in the key audit matter related to the "Impairment of loans in accordance with TFRS 9" above.

Valuation of Pension Fund Obligations

Defined benefit pension plan that the Parent Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı ("Plan") which were established by the 20th provisional article of the Social Security Law numbered 506 ("Law").

As disclosed in the Section III Note XIX to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation voucher.

Our audit work included the following procedures:

We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.

It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.

In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank's actuary.

We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.

Key Audit Matter

As of 31 December 2018, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.

As described in Section V Note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this a key audit matter.

How the matter was addressed in the audit**Information Technologies Audit**

The Group and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Group and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Group means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.

Procedures within the context of our information technology audit work:

We identified and tested the Group's controls over information systems as part of our audit procedures.

Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas:

- Manage security
- Manage changes
- Manage operations

We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner.

We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.

Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.

We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.

Finally, we understood and tested the controls over database, network, application and operating system layers of applications.

Deloitte.

298

5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Regulations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Hasan Kılıç.

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated financial statements differ materially from IFRS. Accordingly, the accompanying consolidated financial statements are not intended to present the Group's consolidated financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan Kılıç
Partner

İstanbul, 14 February 2019

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No: 4 Ataşehir/İstanbul
2. The Bank's Contact Phone and Facsimile:
Phone : 0216 503 70 70
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr
E-mail Address: halkbank.ir@halkbank.com.tr

The consolidated year ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- Section One : GENERAL INFORMATION ABOUT THE PARENT BANK
- Section Two : CONSOLIDATED FINANCIAL STATEMENTS
- Section Three : EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES
- Section Four : INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- Section Five : EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- Section Six : OTHER EXPLANATIONS
- Section Seven : AUDITORS' REPORT

Subsidiaries, associates, and joint ventures which are consolidated within this financial report are as below:

Subsidiaries	Associates
1. Halk Yatırım Menkul Değerler AŞ	1. Demir-Halk Bank N.V.
2. Halk Sigorta AŞ	2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3. Halk Hayat ve Emeklilik AŞ	3. Türk P ve I Sigorta AŞ
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	
5. Halk Finansal Kiralama AŞ	
6. Halk Portföy Yönetimi AŞ	
7. Halk Faktoring AŞ	
8. Halk Banka A.D., Skopje	
9. Halkbank A.D. Beograd	
10. Halk Varlık Kiralama AŞ	

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2018 are prepared in thousand Turkish Lira and they have been audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 14 February 2019

R. Süleyman Özdil	Sadık Tiltak	Ahmet Yarız	Osman Arslan	Yusuf Duran Ocak	Osman Bektaş
Chairman of the Board of Directors	Independent Member of the Board of Directors, Chairman of the Audit Committee	Independent Member of the Board of Directors, Member of the Audit Committee	Member of the Board of Directors, Chief Executive Officer	Financial Management and Planning Vice Chief Executive Officer	Financial Accounting Department Head

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Turgay Ayık/Director
Tel/Fax No : 0216 503 52 14 /0212 340 09 90

SECTION ONE
General Information About the Parent Bank

	Page No
I. Establishment Date of the Parent Bank, Initial Articles of Association, History of the Parent Bank Including The Changes of These Articles	302
II. Capital Structure of the Parent Bank, Shareholders That Retain Direct or Indirect Control and Management of the Parent Bank, Solely or Together, Changes About These Issues During the Year and Disclosures About The Group	302
III. Explanations Regarding the Parent Bank's Chairman and Members of the Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Parent Bank, if any	303
IV. Information About the Persons and Institutions That Have Qualified Shares Attributable to the Parent Bank	303
V. Brief Information on the Parent Bank's Functions and Lines of Activity	304
VI. Explanation About Companies Within The Scope Of Consolidation	305
VII. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods	306
VIII. The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Parent Bank and Its Subsidiaries or the Reimbursement of Liabilities	306

SECTION TWO
Consolidated Financial Statements

I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)	308
II. Consolidated Statement of Off-Balance Sheet Items	312
III. Consolidated Statement of Income	314
IV. Consolidated Statement of Income and Expense Items Accounted under Shareholders' Equity	316
V. Consolidated Statement of Changes in Shareholders' Equity	318
VI. Consolidated Statement of Cash Flows	320
VII. Consolidated Statement of Profit Distribution	322

SECTION THREE
Explanations on Consolidated Accounting Policies

I. Explanations on Basis of Presentation	324
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	326
III. Information About the Consolidated Associates and Subsidiaries	326
IV. Explanations on Forward and Option Contracts and Derivative Products	329
V. Explanations on Interest Income and Expenses	329
VI. Explanations on Fee and Commission Income and Expenses	329
VII. Explanations on Financial Assets	329
VIII. Explanations on Impairment of Financial Assets	334
IX. Explanations on Offsetting Financial Instruments	337
X. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	337
XI. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	337
XII. Explanations on Goodwill and Other Intangible Assets	338
XIII. Explanations on Property and Equipment	338
XIV. Explanations on Investment Properties	339
XV. Explanations on Leasing Transactions	339
XVI. Explanations on Insurance Technical Income and Expense	339
XVII. Explanations on Insurance Technical Provisions	340
XVIII. Explanations on Provisions and Contingent Liabilities	341
XIX. Explanations on Employee Benefit Liabilities	341
XX. Explanations on Taxation	342
XXI. Additional Explanations on Borrowings	345
XXII. Explanations on Shares Issued	345
XXIII. Explanations on Bill Guarantees and Acceptances	345
XXIV. Explanations on Government Incentives	345
XXV. Explanations on Segment Reporting	345
XXVI. Explanations on Prior Period Accounting Policies Not Valid for the Current Period	346
XXVII. Explanations on Other Matters	348

SECTION FOUR
Information Related to Financial Position and Risk Management of the Group

I. Explanations on Consolidated Equity	349
II. Explanations on Consolidated Credit Risk	356
III. Explanations on Consolidated Currency Risk	369
IV. Explanations on Consolidated Interest Rate Risk	371
V. Explanations on Consolidated Position Risk of Shares	375
VI. Explanations on Consolidated Liquidity Risk and Liquidity Coverage Ratio	376
VII. Explanations on Consolidated Leverage Ratio	382
VIII. Explanations on Consolidated Business Segmentation	384
IX. Explanations on Presentation of Financial Assets and Liabilities at Fair Value	388
X. Explanations Related To Transactions Made on Behalf of Others and Transactions Based on Trust	390
XI. Explanations on Consolidated Risk Management and Risk Weighted Amounts	391
XII. Explanations on Remuneration Policies	403

SECTION FIVE
Explanations and Notes Related to the Consolidated Financial Statements

I. Explanations and Notes Related to the Assets	405
II. Explanations and Notes Related to the Liabilities	436
III. Explanations and Notes Related to the Off-Balance Sheet Items	450
IV. Explanations and Notes Related to the Income Statement	456
V. Explanations and Notes Related to the Statement of Changes in Shareholders' Equity	465
VI. Explanations and Notes Related to the Cash Flow Statements	465
VII. Explanations Related to the Risk Group of the Parent Bank	467
VIII. Explanations on The Parent Bank's Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	468
IX. Explanation Related to the Subsequent Events	468

SECTION SIX
Other Explanations

I. Other Explanations on the Parent Bank's Other Activities	469
---	-----

SECTION SEVEN
Auditors' Report

I. Explanations on the Auditor's Report	469
II. Explanations and Notes Prepared by the Auditors	469

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

I. ESTABLISHMENT DATE OF THE PARENT BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE PARENT BANK INCLUDING THE CHANGES OF THESE ARTICLES

Türkiye Halk Bankası Anonim Şirketi (the "Parent Bank" or "Halkbank") began its operations in accordance with the law no: 2284 in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE PARENT BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE PARENT BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Parent Bank is controlled directly by the Türkiye Varlık Fonu.

As of 31 December 2018 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2018	%	31 December 2017	%
Türkiye Varlık Fonu ⁽¹⁾	638.276	51,06	638.276	51,06
Public shares ⁽¹⁾	611.641	48,93	611.640	48,93
Other shareholders ⁽²⁾	83	0,01	84	0,01
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ The shares of the Türkiye Varlık Fonu amounting to TRY 550 have been included in Public shares. With these shares, the total shares amounting TRY 638.826 held by the Türkiye Varlık Fonu is 51,11% of the total shares.

⁽²⁾ TRY 81 of the shares included in the "Other Shareholders" group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

In accordance with the Law No: 6327 dated 13 June 2012 and 3rd sub-article added to the Article 2 of the Law No: 4603, as per the Turkish Commercial Code, the Public shares will be controlled and represented by the Minister the Bank is reporting to, until the sale procedures of the public shares are completed.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. EXPLANATIONS REGARDING THE PARENT BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY ⁽¹⁾

Name	Title
Recep Süleyman ÖZDİL	Chairman of the Board of Directors
Himmet KARADAĞ	Vice Chairman of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Meltem TAYLAN AYDIN	Member of the Board of Directors
Mehmet Nihat ÖMEROĞLU	Independent Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Sadık TILTAK	Independent Member of the Board of Directors, Chairman of the Audit Committee
Ahmet YARIZ	Independent Member of the Board of Directors, Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
Mehmet Akif AYDEMİR	Executive Vice President, Loan Allocation and Management
Mehmet Sebahattin BULUT	Executive Vice President, Loan Policies, Risk Monitoring, and Legal
Mustafa ÇÖDEK	Executive Vice President, Retail Banking
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Metin KÖSTEK	Executive Vice President, Corporate and Internal Systems
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Selahattin SÜLEYMANOĞLU	Executive Vice President, Human Resources and Support Management
Hasan TUNCAY	Executive Vice President, Corporate and Commercial Marketing

⁽¹⁾ People mentioned above do not own any shares in the Parent Bank's capital.

a) The professionals to the Parent Bank's top management who have assigned to their position in 2018 are listed with titles and dates of assignment.

Title	Name	Starting Date
Vice Chairman of the Board of Directors	Himmet KARADAĞ	13 August 2018
Independent Member of the Board of Directors	Ahmet YARIZ	13 August 2018
Member of the Board of Directors	Fatih METİN	7 November 2018

b) The professionals from the Parent Bank's top management who have left their position in 2018 are listed with titles and dates of leaving.

Title	Name	Leaving Date
Executive Vice President	Mehmet Hakan ATILLA	2 June 2018
Member of the Board of Directors	Yunus KARAN	13 August 2018
Member of the Board of Directors	Yahya BAYRAKTAR	13 August 2018
Executive Vice President	Levend TORUSDAĞ	19 October 2018
Executive Vice President	Hakan ERYILMAZ	23 October 2018
Member of the Board of Directors	Cenap AŞCI	6 November 2018
Member of the Board of Directors	Fatih METİN	30 November 2018

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

Except for the Türkiye Varlık Fonu, no person or institute has any qualified shares attributable to the Parent Bank.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. BRIEF INFORMATION ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi began its operations in accordance with the Law No: 2284 in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Bank received government bonds in settlement of the accumulated specific duty losses and the Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were going to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term "3 years" in Article 2.2 of Law numbered 4603 was previously amended to "5 years" and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to "10 years". As a result of these amendments, the privatization period of the Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended the half of that "10 years" period as published in the Official Gazette by the Decree numbered 2010/964 and dated 6 November 2010.

As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. 13th Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization's decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as published in the Official Gazette numbered 25539 dated 31 July 2004, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler limited partnership and more than 500 shareholders. Pamukbank started its private banking operations as an incorporation in accordance with the decision of the Council of Ministers numbered 4/4573 dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 dated 19 June 2002 including 3rd and 4th Sub-articles in the Article 14 of the Banking Law No: 4389, the shareholders rights, excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) The Parent Bank's service activities and operating areas: The Parent Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2018, the Bank operates with a total of 994 branches consisting of 988 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 47 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Halk Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Faktoring AŞ
- Halk Banka A.D. Skopje
- Halkbank A.D. Beograd
- Halk Varlık Kiralama AŞ

are consolidated "line by line" in the accompanying consolidated financial statements.

The Parent Bank's associates;

- Demir-Halk Bank N.V.
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
- Türk P ve I Sigorta AŞ

are accounted for at "equity method" in the accompanying consolidated financial statements.

Halk Gayrimenkul Yatırım Ortaklığı AŞ ("Halk GYO"), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. Halk GYO's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. Halk GYO's main operational objective is to invest in capital market instruments based on real estates, real estate projects and rights based on real estates, as per the Capital Markets Board's ("CMB") regulation on investment trusts.

As at 15 February 2013 28% shares of Halk GYO has been offered to public. After collecting potential investors' book building, Halk GYO's shares started to be traded on Borsa İstanbul AŞ since 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing") was established in September 1991 in Turkey and its main line of business is financial leasing. Halk Leasing operates under the provisions of the Turkish financial leasing law number 6361.

Halk Banka A.D., Skopje, formerly Export and Credit Bank A.D., Skopje is a subsidiary of the Parent Bank as of 8 April 2011, operating in Macedonia. The Bank's main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad.

Halk Portföy Yönetimi AŞ ("Halk Portföy"), a subsidiary of the Parent Bank established in 2011, was registered on 30 June 2011. Halk Portföy's main line of business is to provide portfolio and fund management services.

Halk Faktoring AŞ's ("Halk Faktoring") main line of business is to provide factoring services that include legitimate commercial lending for all domestic and international trade operation.

Halkbank A.D. Beograd is a subsidiary of the Parent Bank as of 28 May 2015. Its main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Halk Sigorta AŞ ("Halk Sigorta") was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. Halk Sigorta's business name was changed to Halk Sigorta AŞ from Birlik Sigorta AŞ at the Extraordinary General Assembly Meeting held on 27 December 2010.

Halk Hayat ve Emeklilik AŞ ("Halk Emeklilik") was established in 1998 under the business name of Birlik Hayat Sigorta AŞ to operate in life and personal accident insurance, coinsurance, reinsurance and retrocession businesses for individuals both in Turkey and abroad. Halk Emeklilik became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

Halk Yatırım Menkul Değerler AŞ ("Halk Yatırım"), was established in 1997 to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. Halk Yatırım became a subsidiary in early 2006 when Halkbank bought the shares of Turkey Halk Bankası Personnel Provident Fund.

Halk Varlık Kiralama A.Ş. was established on 3 October 2017 with the purpose of issuing "Lease Certificate" in accordance with the Capital Markets Board Law No. 6362, the CMB Communiqué and the related regulations of the CMB.

For the purposes of the consolidated financial statements, the Parent Bank and its consolidated subsidiaries are referred to as "the Group".

VII. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

Due to the differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. AŞ, is not accounted for under consolidation principles in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standards, Bileşim Alternatif Dağ. Kan. AŞ is included in the scope of consolidation by-line method.

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka A.D. Skopje, Halk Faktoring AŞ, Halkbank A.D. Beograd and Halk Varlık Kiralama AŞ are included in the scope of consolidation by line-by-line method.

Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ which are qualified as investments in associates, are presented in the consolidated financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has no significant influence and control, established at home and abroad.

There is no investment in shares of banks and financial institutions, with shareholding of more than 10% as deducted from capital.

Since all banks has the same equal shareholding, Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements and thus, the Parent Bank has no control over these entities.

VIII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediate transfer of the shareholder's equity between the Parent Bank and its subsidiaries is not in question. Dividend distribution from shareholders' equity is done according to related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries.

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Income
- IV. Consolidated Statement of Income and Expense Items Accounted for under Shareholders' Equity
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows
- VII. Consolidated Statement of Profit Distribution

Türkiye Halk Bankası A.Ş.

Consolidated Balance Sheet

as of 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

	Note	Audited		
		Current Period		
		31 December 2018		
ASSETS		TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		66.616.717	50.947.821	117.564.538
1.1 Cash and Cash Equivalents		4.229.804	36.561.409	40.791.213
1.1.1 Cash and Balances with Central Bank	(1)	3.983.094	31.596.630	35.579.724
1.1.2 Banks	(3)	181.392	4.964.779	5.146.171
1.1.3 Money Markets		65.318	-	65.318
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	14.516.355	22.580	14.538.935
1.2.1 Government Debt Securities		14.415.482	21.455	14.436.937
1.2.2 Equity Instruments		74	1.125	1.199
1.2.3 Other Financial Assets		100.799	-	100.799
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	2.720.192	2.144.620	4.864.812
1.3.1 Government Debt Securities		2.579.303	2.058.759	4.638.062
1.3.2 Equity Instruments		24.793	85.861	110.654
1.3.3 Other Financial Assets		116.096	-	116.096
1.4 Financial Assets Measured at Amortised Cost	(6)	45.172.546	11.158.799	56.331.345
1.4.1 Government Debt Securities		45.110.909	11.158.799	56.269.708
1.4.2 Other Financial Assets		61.637	-	61.637
1.5 Derivative Financial Assets	(2)	9	1.062.072	1.062.081
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		9	1.062.072	1.062.081
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non - Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		22.189	1.659	23.848
II. LOANS (Net)		167.468.515	91.240.753	258.709.268
2.1 Loans	(5)	165.210.011	88.937.841	254.147.852
2.1.1 Measured at Amortised Cost		165.210.011	88.937.841	254.147.852
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(10)	921.654	1.991.539	2.913.193
2.2.1 Financial Lease Receivables		1.485.617	2.279.737	3.765.354
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		563.963	288.198	852.161
2.3 Factoring Receivables		1.253.064	139.535	1.392.599
2.3.1 Measured at Amortised Cost		1.253.064	139.535	1.392.599
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non- Performing Loans	(5)	8.652.580	630.418	9.282.998
2.5 Expected Credit Loss (-)	(5)	8.568.794	458.580	9.027.374
2.5.1 12 Month Expected Credit Losses (Stage I)		1.010.590	27.355	1.037.945
2.5.2 Significant Increase in Credit Risk (Stage II)		1.185.419	21.456	1.206.875
2.5.3 Credit - Impaired Losses (Stage III / Special Provision)		6.372.785	409.769	6.782.554
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(16)	9.593	-	9.593
3.1 Held for Sale Purpose		9.593	-	9.593
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		84.321	431.547	515.868
4.1 Investments in Associates (Net)	(7)	27.175	431.547	458.722
4.1.1 Associates Valued Based on Equity Method		17.823	431.547	449.370
4.1.2 Unconsolidated Associates		9.352	-	9.352
4.2 Subsidiaries (Net)	(8)	57.146	-	57.146
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		57.146	-	57.146
4.3 Joint Ventures (Net)	(9)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(12)	4.514.930	124.956	4.639.886
VI. INTANGIBLE ASSETS (Net)	(13)	149.098	34.313	183.411
6.1 Goodwill		-	-	-
6.2 Other		149.098	34.313	183.411
VII. INVESTMENT PROPERTIES (Net)	(14)	967.406	5.995	973.401
VIII. CURRENT TAX ASSET		19.860	6.183	26.043
IX. DEFERRED TAX ASSET	(15)	95.326	3.019	98.345
X. OTHER ASSETS	(17)	4.406.874	1.094.449	5.501.323
TOTAL ASSETS		244.332.640	143.889.036	388.221.676

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Balance Sheet

as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

	Note	TRY	Audited	
			Prior period	
			31 December 2017	Total
ASSETS				
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	12.917.490	23.763.887	36.681.377
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	10.120.010	363.498	10.483.508
2.1 Trading financial assets		10.120.010	363.498	10.483.508
2.1.1 Public sector debt securities		10.095.327	-	10.095.327
2.1.2 Share certificates		354	886	1.240
2.1.3 Financial assets held for trading		118	362.398	362.516
2.1.4 Other marketable securities		24.211	214	24.425
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
III. BANKS	(3)	677.360	5.635.807	6.313.167
IV. MONEY MARKET PLACEMENTS		1.288.168	-	1.288.168
4.1 Interbank money market placements		1.258.647	-	1.258.647
4.2 Takasbank (Clearing & Settlement Bank) Money Market placements		29.211	-	29.211
4.3 Receivables from reverse repurchase agreements		310	-	310
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	11.599.564	6.099.614	17.699.178
5.1 Share certificates		24.561	54.538	79.099
5.2 Public sector debt securities		11.575.003	6.045.076	17.620.079
5.3 Other marketable securities		-	-	-
VI. LOANS AND RECEIVABLES	(5)	139.626.734	65.925.861	205.552.595
6.1 Loans and receivables		138.299.409	65.842.861	204.142.270
6.1.1 Loans extended to risk group of the Bank		-	-	-
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		138.299.409	65.842.861	204.142.270
6.2 Loans under follow-up		6.106.597	189.809	6.296.406
6.3 Specific provisions (-)		4.779.272	106.809	4.886.081
VII. FACTORING RECEIVABLES		1.051.939	159.993	1.211.932
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	19.304.493	2.682.606	21.987.099
8.1 Public sector debt securities		19.261.098	2.682.606	21.943.704
8.2 Other marketable securities		43.395	-	43.395
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	22.590	330.548	353.138
9.1 Accounted for under equity method		16.270	330.548	346.818
9.2 Unconsolidated associates		6.320	-	6.320
9.2.1 Financial investments		-	-	-
9.2.2 Non-financial investments		6.320	-	6.320
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	52.178	-	52.178
10.1 Unconsolidated financial subsidiaries		-	-	-
10.2 Unconsolidated non-financial subsidiaries		52.178	-	52.178
XI. JOINT VENTURES (Net)	(9)	-	-	-
11.1 Accounted for under equity method		-	-	-
11.2 Unconsolidated joint ventures		-	-	-
11.2.1 Financial joint ventures		-	-	-
11.2.2 Non-financial joint ventures		-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	626.642	2.044.611	2.671.253
12.1 Finance lease receivables		788.528	2.378.704	3.167.232
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		161.886	334.093	495.979
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-
13.1 Fair value risk hedging		-	-	-
13.2 Cash flow risk hedging		-	-	-
13.3 Net foreign investment risk hedging		-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	3.658.962	92.638	3.751.600
XV. INTANGIBLE ASSETS (Net)	(13)	120.393	22.702	143.095
15.1 Goodwill		-	-	-
15.2 Other		120.393	22.702	143.095
XVI. INVESTMENT PROPERTIES (Net)	(14)	905.720	4.658	910.378
XVII. TAX ASSETS		87.747	6.296	94.043
17.1 Current tax assets		2.841	4.021	6.862
17.2 Deferred tax assets	(15)	84.906	2.275	87.181
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	790	-	790
18.1 Held for sale purpose		790	-	790
18.2 Held from discontinued operations		-	-	-
XIX. OTHER ASSETS	(17)	2.630.828	395.429	3.026.257
TOTAL ASSETS		204.691.608	107.528.148	312.219.756

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.*Consolidated Balance Sheet**as of 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Audited		
		Current Period		
		31 December 2018		
		TRY	FC	TOTAL
I. DEPOSITS	(1)	137.508.551	113.070.969	250.579.520
II. FUNDS BORROWED	(3)	1.286.624	13.987.856	15.274.480
III. MONEY MARKET BORROWINGS		32.815.996	5.402.273	38.218.269
IV. SECURITIES ISSUED (Net)	(4)	4.321.374	12.024.839	16.346.213
4.1 Bills		2.164.993	-	2.164.993
4.2 Assets Backed Securities		1.951.469	-	1.951.469
4.3 Bonds		204.912	12.024.839	12.229.751
V. FUNDS	(5)	2.874.121	-	2.874.121
5.1 Borrower Funds		42	-	42
5.2 Other		2.874.079	-	2.874.079
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL ASSETS	(2)	16	410.323	410.339
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		16	410.323	410.339
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII. FACTORING LIABILITIES		2.310	107	2.417
IX. LEASE LIABILITIES	(7)	85	-	85
9.1 Financial Lease		85	-	85
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	(9)	4.153.786	13.000	4.166.786
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		915.732	10.886	926.618
10.3 Insurance for Technical Provision(Net)		2.215.153	-	2.215.153
10.4 Other Provisions		1.022.901	2.114	1.025.015
XI. CURRENT TAX LIABILITY	(10)	729.532	8.140	737.672
XII. DEFERRED TAX LIABILITIES	(10)	453.608	2.152	455.760
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	2.030	-	2.030
13.1 Held for Sale Purpose		2030	-	2.030
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	6.182.084	-	6.182.084
14.1 Loans		-	-	-
14.2 Other Debt Instruments		6.182.084	-	6.182.084
XV. OTHER LIABILITIES	(6)	22.367.642	1.063.018	23.430.660
XVI. SHAREHOLDERS' EQUITY	(13)	29.202.725	338.515	29.541.240
16.1 Paid in Capital		1.250.000	-	1.250.000
16.2 Capital Reserves		1.267.795	-	1.267.795
16.2.1 Share Premium		39.740	-	39.740
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		1.228.055	-	1.228.055
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.468.324	(105)	2.468.219
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(20.981)	(154.979)	(175.960)
16.5 Profit Reserves		20.490.940	329.114	20.820.054
16.5.1 Legal Reserves		2.009.871	8.868	2.018.739
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		18.433.927	104.574	18.538.501
16.5.4 Other Profit Reserves		47.142	215.672	262.814
16.6 Income or (Loss)		3.505.282	159.209	3.664.491
16.6.1 Prior Periods' Income or (Loss)		808.240	199.604	1.007.844
16.6.2 Current Period Income or (Loss)		2.697.042	(40.395)	2.656.647
16.7 Minority Shares	(14)	241.365	5.276	246.641
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		241.900.484	146.321.192	388.221.676

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Balance Sheet

as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Audited		
		Prior period		
		31 December 2017		
		TRY	FC	Total
I. DEPOSITS	(1)	116.559.965	76.710.656	193.270.621
1.1 Deposits Held by the Risk Group of the Bank		21.534	8	21.542
1.2 Other		116.538.431	76.710.648	193.249.079
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	146	150.527	150.673
III. FUNDS BORROWED	(3)	1.436.861	18.621.623	20.058.484
IV. MONEY MARKET BALANCES		29.615.560	5.387.762	35.003.322
4.1 Interbank money market borrowings		29.030.813	1.247.014	30.277.827
4.2 Takasbank (Clearing & Settlement Bank) Money Market takings		377.295	-	377.295
4.3 Funds from repurchase agreements		207.452	4.140.748	4.348.200
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	3.381.225	8.640.905	12.022.130
5.1 Treasury bills		3.280.789	-	3.280.789
5.2 Asset-backed securities		100.436	-	100.436
5.3 Bonds		-	8.640.905	8.640.905
VI. FUNDS	(5)	2.724.634	-	2.724.634
6.1 Borrower Funds		860	-	860
6.2 Other		2.723.774	-	2.723.774
VII. SUNDRY CREDITORS		3.678.813	179.545	3.858.358
VIII. OTHER LIABILITIES	(6)	11.476.631	526.985	12.003.616
IX. FACTORING PAYABLES		2.307	755	3.062
X. FINANCE LEASE PAYABLES	(7)	-	-	-
10.1 Finance lease payables		-	-	-
10.2 Operating lease payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-
11.1 Fair value risk hedging		-	-	-
11.2 Cash flow risk hedging		-	-	-
11.3 Net foreign investment risk hedging		-	-	-
XII. PROVISIONS	(9)	5.299.348	40.741	5.340.089
12.1 General loan provisions		2.288.701	28.456	2.317.157
12.2 Restructuring provisions		-	-	-
12.3 Employee benefits provisions		854.242	6.198	860.440
12.4 Insurance technical reserves (Net)		1.810.804	-	1.810.804
12.5 Other provisions		345.601	6.087	351.688
XIII. TAX LIABILITIES	(10)	1.244.449	7.244	1.251.693
13.1 Current tax liabilities		672.431	5.092	677.523
13.2 Deferred tax liabilities		572.018	2.152	574.170
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
14.1 Held for sale purpose		-	-	-
14.2 Held from discontinued operations		-	-	-
XV. SUBORDINATED LOAN	(12)	1.004.385	-	1.004.385
XVI. SHAREHOLDERS' EQUITY	(13)	25.378.161	150.528	25.528.689
16.1 Paid-in capital		1.250.000	-	1.250.000
16.2 Capital reserves		3.088.739	(240.647)	2.848.092
16.2.1 Share Premium		39.737	-	39.737
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities revaluation fund		(366.800)	(240.961)	(607.761)
16.2.4 Tangible assets revaluation reserves		2.253.371	275	2.253.646
16.2.5 Intangible assets revaluation reserves		-	-	-
16.2.6 Revaluation reserves of investment properties		-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		4.723	-	4.723
16.2.8 Hedging Funds (effective portion)		-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-
16.2.10 Other capital reserves		1.157.708	39	1.157.747
16.3 Profit reserves		16.900.753	180.650	17.081.403
16.3.1 Legal reserves		1.750.382	8.559	1.758.941
16.3.2 Statutory reserves		-	-	-
16.3.3 Extraordinary reserves		15.103.229	27.317	15.130.546
16.3.4 Other profit reserves		47.142	144.774	191.916
16.4 Profit/Loss		3.932.096	206.974	4.139.070
16.4.1 Prior years' profits/losses		(4.150)	104.981	100.831
16.4.2 Period profit/loss		3.936.246	101.993	4.038.239
16.5 Minority shares	(14)	206.573	3.551	210.124
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		201.802.485	110.417.271	312.219.756

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Statement of Off-Balance Sheet Items as of 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

	Note	Audited		
		Current Period		
		31 December 2018		
OFF BALANCE SHEET		TRY	FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		70.479.149	89.431.738	159.910.887
I. GUARANTEES AND SURETIES	(1)	36.985.278	46.684.697	83.669.975
1.1 Letters of guarantee		34.982.709	36.415.106	71.397.815
1.1.1 Guarantees subject to public procurement law		1.982.722	12.444.947	14.427.669
1.1.2 Guarantees given for foreign trade operations		-	64.120	64.120
1.1.3 Other letters of guarantee		32.999.987	23.906.039	56.906.026
1.2 Bank loans		11.845	7.038.415	7.050.260
1.2.1 Import acceptances		-	94.572	94.572
1.2.2 Other bank acceptances		11.845	6.943.843	6.955.688
1.3 Letters of credit		119.895	3.110.315	3.230.210
1.3.1 Documentary letters of credit		119.895	3.110.315	3.230.210
1.3.2 Other letters of credit		-	-	-
1.4 Guaranteed refinancing		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-
1.7 Factoring guarantees		-	-	-
1.8 Other guarantees		1.870.829	120.861	1.991.690
1.9 Other sureties		-	-	-
II. COMMITMENTS	(1)	24.243.741	3.598.496	27.842.237
2.1 Irrevocable commitments		24.091.603	2.105.823	26.197.426
2.1.1 Forward asset purchase commitments		807.737	1.228.932	2.036.669
2.1.2 Forward deposit purchase and sale commitments		-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-
2.1.4 Loan granting commitments		4.159.896	530.684	4.690.580
2.1.5 Securities underwriting commitments		-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-
2.1.7 Payment commitments for Cheques		2.661.413	-	2.661.413
2.1.8 Tax and fund liabilities from export commitments		65.280	-	65.280
2.1.9 Commitments for credit card expenditure limits		12.674.648	54.296	12.728.944
2.1.10 Commitments for credit cards and banking services promotions		31.409	-	31.409
2.1.11 Receivables from short sale commitments		-	-	-
2.1.12 Payables for short sale commitments		-	-	-
2.1.13 Other irrevocable commitments		3.691.220	291.911	3.983.131
2.2 Revocable commitments		152.138	1.492.673	1.644.811
2.2.1 Revocable loan granting commitments		-	1.137.584	1.137.584
2.2.2 Other revocable commitments		152.138	355.089	507.227
III. DERIVATIVE FINANCIAL INSTRUMENTS		9.250.130	39.148.545	48.398.675
3.1 Derivative financial instruments held for risk management		-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-
3.2 Transactions for trading		9.250.130	39.148.545	48.398.675
3.2.1 Forward foreign currency buy/sell transactions		1.805.572	5.242.539	7.048.111
3.2.1.1 Forward foreign currency transactions-buy		1.553.375	3.067.752	4.621.127
3.2.1.2 Forward foreign currency transactions-sell		252.197	2.174.787	2.426.984
3.2.2 Currency and interest rate swaps		5.146.767	28.105.082	33.251.849
3.2.2.1 Currency swap-buy		1.012.983	7.070.935	8.083.918
3.2.2.2 Currency swap-sell		4.133.784	3.641.263	7.775.047
3.2.2.3 Interest rate swap-buy		-	8.696.442	8.696.442
3.2.2.4 Interest rate swap-sell		-	8.696.442	8.696.442
3.2.3 Currency, interest rate and marketable securities options		2.297.791	3.561.455	5.859.246
3.2.3.1 Currency call options		1.148.905	1.780.728	2.929.633
3.2.3.2 Currency put options		1.148.886	1.780.727	2.929.613
3.2.3.3 Interest rate call options		-	-	-
3.2.3.4 Interest rate put options		-	-	-
3.2.3.5 Marketable securities call options		-	-	-
3.2.3.6 Marketable securities put options		-	-	-
3.2.4 Currency futures		-	-	-
3.2.4.1 Currency futures-buy		-	-	-
3.2.4.2 Currency futures-sell		-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-
3.2.6 Other		-	2.239.469	2.239.469
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		957.578.147	312.632.590	1.270.210.737
IV. CUSTODIES		435.748.450	42.655.486	478.403.936
4.1 Assets under management		-	-	-
4.2 Custody marketable securities		164.714.562	1.017.194	165.731.736
4.3 Cheques in collection process		15.459.699	26.465.087	41.924.786
4.4 Commercial notes in collection process		239.248.814	5.578.699	244.827.513
4.5 Other assets in collection process		-	-	-
4.6 Underwritten securities		-	-	-
4.7 Other custodies		4.281.053	486.438	4.767.491
4.8 Custodians		12.044.342	9.108.068	21.152.410
V. PLEDGED ASSETS		521.829.697	269.977.104	791.806.801
5.1 Marketable securities		5.910.919	772.952	6.683.871
5.2 Collateral notes		7.602.929	1.172.031	8.774.960
5.3 Commodity		25.812	-	25.812
5.4 Warranty		-	-	-
5.5 Land and buildings		384.296.983	225.968.770	610.265.753
5.6 Other pledged assets		76.479.920	39.614.525	116.094.445
5.7 Pledges		47.513.134	2.448.826	49.961.960
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		1.028.057.296	402.064.328	1.430.121.624

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Statement of Off-Balance Sheet Items as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

OFF BALANCE SHEET	Note	TRY	Audited Prior period 31 December 2017	Total
			FC	
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		55.825.715	59.017.870	114.843.585
I. GUARANTEES AND SURETIES	(1)	28.091.702	30.695.956	58.787.658
1.1 Letters of guarantee		26.885.534	22.774.574	49.660.108
1.1.1 Guarantees subject to public procurement law		1.522.672	10.045.779	11.568.451
1.1.2 Guarantees given for foreign trade operations		-	24.183	24.183
1.1.3 Other letters of guarantee		25.362.862	12.704.612	38.067.474
1.2 Bank loans		16.829	3.676.678	3.693.507
1.2.1 Import acceptances		-	226.526	226.526
1.2.2 Other bank acceptances		16.829	3.450.152	3.466.981
1.3 Letters of credit		47.204	4.100.917	4.148.121
1.3.1 Documentary letters of credit		47.204	4.100.917	4.148.121
1.3.2 Other letters of credit		-	-	-
1.4 Guaranteed refinancing		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-
1.7 Factoring guarantees		-	-	-
1.8 Other guarantees		1.142.135	143.787	1.285.922
1.9 Other sureties		-	-	-
II. COMMITMENTS	(1)	22.879.077	2.235.117	25.114.194
2.1 Irrevocable commitments		22.879.077	1.310.028	24.189.105
2.1.1 Forward asset purchase commitments		248.484	661.967	910.451
2.1.2 Forward deposit purchase and sale commitments		-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-
2.1.4 Loan granting commitments		4.191.402	493.963	4.685.365
2.1.5 Securities underwriting commitments		-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-
2.1.7 Payment commitments for Cheques		3.269.281	-	3.269.281
2.1.8 Tax and fund liabilities from export commitments		38.072	-	38.072
2.1.9 Commitments for credit card expenditure limits		11.562.109	37.787	11.599.896
2.1.10 Commitments for credit cards and banking services promotions		32.736	-	32.736
2.1.11 Receivables from short sale commitments		-	-	-
2.1.12 Payables for short sale commitments		-	-	-
2.1.13 Other irrevocable commitments		3.536.993	116.311	3.653.304
2.2 Revocable commitments		-	925.089	925.089
2.2.1 Revocable loan granting commitments		-	57.071	57.071
2.2.2 Other revocable commitments		-	868.018	868.018
III. DERIVATIVE FINANCIAL INSTRUMENTS		4.854.936	26.086.797	30.941.733
3.1 Derivative financial instruments held for risk management		-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-
3.2 Transactions for trading		4.854.936	26.086.797	30.941.733
3.2.1 Forward foreign currency buy/sell transactions		2.711.228	6.374.073	9.085.301
3.2.1.1 Forward foreign currency transactions-buy		1.359.880	4.498.627	5.858.507
3.2.1.2 Forward foreign currency transactions-sell		1.351.348	1.875.446	3.226.794
3.2.2 Currency and interest rate swaps		1.353.630	15.891.963	17.245.593
3.2.2.1 Currency swap-buy		418.414	2.843.148	3.261.562
3.2.2.2 Currency swap-sell		935.216	2.162.053	3.097.269
3.2.2.3 Interest rate swap-buy		-	5.443.381	5.443.381
3.2.2.4 Interest Rate swap-sell		-	5.443.381	5.443.381
3.2.3 Currency, interest rate and marketable securities options		790.078	1.090.343	1.880.421
3.2.3.1 Currency call options		394.932	545.279	940.211
3.2.3.2 Currency put options		395.146	545.064	940.210
3.2.3.3 Interest rate call options		-	-	-
3.2.3.4 Interest rate put options		-	-	-
3.2.3.5 Marketable securities call options		-	-	-
3.2.3.6 Marketable securities put options		-	-	-
3.2.4 Currency futures		-	-	-
3.2.4.1 Currency futures-buy		-	-	-
3.2.4.2 Currency futures-sell		-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-
3.2.6 Other		-	2.730.418	2.730.418
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		835.132.210	209.876.872	1.045.009.082
IV. CUSTODIES		394.414.878	29.275.633	423.690.511
4.1 Assets under management		-	-	-
4.2 Custody marketable securities		177.566.380	518.467	178.084.847
4.3 Cheques in collection process		15.489.840	22.716.178	38.206.018
4.4 Commercial notes in collection process		193.733.321	491.087	194.224.408
4.5 Other assets in collection process		-	-	-
4.6 Underwritten securities		-	-	-
4.7 Other custodies		4.136.680	127.221	4.263.901
4.8 Custodians		3.488.657	5.422.680	8.911.337
V. PLEDGED ASSETS		440.717.332	180.601.239	621.318.571
5.1 Marketable securities		4.512.526	571.558	5.084.084
5.2 Collateral notes		7.261.444	911.790	8.173.234
5.3 Commodity		25.813	145.204	171.017
5.4 Warranty		-	-	-
5.5 Land and buildings		324.029.119	151.762.384	475.791.503
5.6 Other pledged assets		67.075.089	23.900.616	90.975.705
5.7 Pledges		37.813.341	3.309.687	41.123.028
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		890.957.925	268.894.742	1.159.852.667

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.***Consolidated Statement of Income
as of 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. CONSOLIDATED STATEMENT OF INCOME

		Audited Current Period 1 January- 31 December 2018
INCOME AND EXPENSES	Note	
I. INTEREST INCOME	(1)	37.617.675
1.1 Interest on Loans		28.994.809
1.2 Interest on Reserve Requirements		97.387
1.3 Interest on Banks		666.605
1.4 Interest on Money Market Transactions		58.064
1.5 Interest on Marketable Securities Portfolio		7.151.547
1.5.1 Fair Value Through Profit or Loss		19.110
1.5.2 Fair Value Through Other Comprehensive Income		347.139
1.5.3 Measured at Amortized Cost		6.785.298
1.6 Financial Lease Income		272.064
1.7 Other Interest Income		377.199
II. INTEREST EXPENSE (-)	(2)	28.674.763
2.1 Interest on Deposits		20.298.335
2.2 Interest on Funds Borrowed		769.204
2.3 Interest Expense on Money Market Transactions		5.795.550
2.4 Interest on Securities Issued		1.555.203
2.5 Other Interest Expense		256.471
III. NET INTEREST INCOME (I - II)		8.942.912
IV. NET FEES AND COMMISSIONS INCOME		1.904.363
4.1 Fees and Commissions Received		2.831.050
4.1.1 Non – cash Loans		625.174
4.1.2 Other		2.205.876
4.2 Fees and Commissions Paid (-)		926.687
4.2.1 Non – cash Loans		3.835
4.2.2 Other		922.852
V. PERSONNEL EXPENSE (-)		(2.608.022)
VI. DIVIDEND INCOME	(3)	13.177
VII. TRADING INCOME / LOSS (Net)	(4)	231.483
7.1 Trading Gains / (Losses) on Securities		33.081
7.2 Gains / (Losses) on Derivate Financial Transactions		1.979.221
7.3 Foreign Exchange Gains / (Losses)		(1.780.819)
VIII. OTHER OPERATING INCOME	(5)	2.489.370
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		10.973.283
X. EXPECTED LOSS PROVISIONS (-)	(6)	3.420.516
XI. OTHER OPERATING EXPENSES (-)	(7)	4.546.592
XII. NET OPERATING INCOME /LOSS (IX-X-XI)		3.006.175
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIV. INCOME /(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		26.620
XV. INCOME / (LOSS) ON NET MONETARY POSITION		-
XVI. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	3.032.795
XVII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	361.833
17.1 Current Tax Provision		175.752
17.2 Deferred Tax Income Effect (+)		1.161.994
17.3 Deferred Tax Expense Effect (-)		975.913
XVIII. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	2.670.962
XIX. INCOME FROM DISCONTINUED OPERATIONS		22.727
19.1 Income from non- Current Assets Held for Sale		22.727
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3 Income from Other Discontinued Operations		-
XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)		9.737
20.1 Expenses for Non-current Assets Held for Sale		9.737
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
20.3 Expenses for Other Discontinued Operations		-
XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)	(8)	12.990
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(9)	2.860
22.1 Current Tax Provision		2.890
22.2 Deferred Tax Expense Effect (+)		-
22.3 Deferred Tax Income Effect (-)		30
XXIII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XXI±XXII)	(10)	10.130
XXIV. NET PROFIT/(LOSS) (XVIII+XXIII)	(11)	2.681.092
24.1 Profit / (Loss) of Group		2.656.647
24.2 Profit / (Loss) of Minority Shares (-)	(12)	24.445
Profit / (Loss) Per Share		2,1253

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Statement of Income

as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. CONSOLIDATED STATEMENT OF INCOME

INCOME AND EXPENSES	Note	Audited Prior period 1 January- 31 December 2017
I. INTEREST INCOME	(1)	23.665.069
1.1 Interest on loans		19.060.838
1.2 Interest received from reserve deposits		132.398
1.3 Interest received from banks		256.701
1.4 Interest received from money market placements		57.090
1.5 Interest income on marketable securities		3.765.532
1.5.1 Financial assets held for trading		3.209
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Financial assets available-for-sale		1.582.407
1.5.4 Investments held-to-maturity		2.179.916
1.6 Finance lease income		197.704
1.7 Other interest income		194.806
II. INTEREST EXPENSE	(2)	15.308.777
2.1 Interest on deposits		11.085.857
2.2 Interest on borrowings		540.285
2.3 Interest on money market borrowings		2.719.811
2.4 Interest on bonds issued		845.535
2.5 Other interest expense		117.289
III. NET INTEREST INCOME [I – II]		8.356.292
IV. NET FEES AND COMMISSIONS INCOME		1.921.134
4.1 Fees and commissions income		2.506.800
4.1.1 Non-cash loans		405.366
4.1.2 Other		2.101.434
4.2 Fees and commissions expenses		585.666
4.2.1 Non-cash loans		3.986
4.2.2 Other		581.680
V. DIVIDEND INCOME	(3)	11.639
VI. NET TRADING PROFIT (NET)	(4)	78.625
6.1 Profit/loss from capital market operations		35.077
6.2 Profit/loss from financial derivative transactions		(195.718)
6.3 Foreign exchange gains/losses		239.266
VII. OTHER OPERATING INCOME	(5)	2.156.583
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		12.524.273
IX. IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(6)	1.505.871
X. OTHER OPERATING EXPENSES(-)	(7)	5.886.203
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		5.132.199
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-
XIII. PROFIT/LOSSES FROM SUBSIDIARIES ACCOUNTED FOR AT EQUITY METHOD		21.511
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	5.153.710
XVI. TAX INCOME PROVISION (±)	(9)	(1.102.986)
16.1 Current tax charge		(855.655)
16.2 Deferred tax (charge) / benefit		(247.331)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	4.050.724
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Property and equipment income held for sale		-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-
18.3 Other income from terminated operations		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1 Property and equipment expense held for sale		-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-
19.3 Other expenses from discontinued operations		-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-
21.1 Current tax charge		-
21.2 Deferred tax charge		-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	4.050.724
23.1 Group's profit/loss		4.038.239
23.2 Minority shares profit/loss	(12)	12.485
Earnings/losses per share (Full TRY)		3,2406

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.*Consolidated Statement of Income and Expense Items**Accounted Under Shareholders' Equity as of 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

		Audited
		Current Period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		1 January – 31 December 2018
I.	CURRENT PERIOD INCOME/LOSS	2.681.092
II.	OTHER COMPREHENSIVE INCOME	657.118
2.1	Not Reclassified Through Profit or Loss	225.317
2.1.1	Property and Equipment Revaluation Increase/Decrease	211.669
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	24.320
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(10.672)
2.2	Reclassified Through Profit or Loss	431.801
2.2.1	Foreign Currency Translation Differences	(54.085)
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	580.811
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Lossess	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(94.925)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	3.338.210

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Statement of Income and Expense Items

Accounted Under Shareholders' Equity as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	Audited
	Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January-31 December 2017
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	20.605
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	285.864
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(4.311)
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	144.062
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(50.209)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	396.011
XI. PROFIT/LOSS	4.050.724
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	38.564
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	-
11.4 Other	4.012.160
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	4.446.735

317

The accompanying notes are an integral part of these consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Statement of Changes in Shareholders' Equity as of 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	1 January 2017 - 31 December 2017	Note	Paid in capital	Effect of inflation adjustments on paid in capital	Share premium	Share cancellation profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss)	Valuation changes in marketable securities	Revaluation changes in prop. and eq. and int. assets	Bonus shares from shareholders	Hedging funds	Value changes in equity held for sale	Shareholders' equity expect	Minority Share equity	Total shareholders' equity
I. Balance at the beginning of the period	1,250,000	1,220,451	39,737	-	1,962,172	-	1,362,172	-	12,946,536	35,937	2,533,607	166,747	(718,720)	2,107,270	4,723	-	-	21,136,242	213,138	21,349,380
II. Increase/decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	111,167	-	-	-	-	111,167	(1,275)	109,892
IV. Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	115,265	-	-	-	-	-	-	-	115,265	-	115,265
4.1. Hedging gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Hedging losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	146,368	-	-	-	146,368	-	146,368
VII. Bonus shares from subsidiaries and joint ventures (business partners)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences	-	-	-	-	-	-	-	-	-	(6,876)	-	-	-	-	-	-	-	(6,876)	585	(6,291)
IX. Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Increase of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,097)	(5,097)
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(846)	(846)
XV. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other (I)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net profit or losses	-	-	-	-	-	-	-	-	-	-	4,038,239	36,746	-	-	-	-	-	4,038,239	12,485	4,050,724
XVIII. Profit distribution	-	-	-	-	-	-	-	-	-	-	(2,533,607)	(103,054)	-	-	-	-	-	(2,533,607)	(797)	(2,534,404)
18.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance	1,250,000	1,220,451	39,737	-	1,758,941	-	1,510,546	19,712	15,130,546	19,712	4,038,239	100,831	(607,741)	2,253,646	4,723	-	-	25,318,545	210,124	25,528,669

^(*) Due to change in group shares.

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Statement of Cash Flows

as of 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Audited
		Current Period
		1 January-
		31 December 2018
	Note	
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		(3.186.823)
1.1.1 Interest received		33.712.282
1.1.2 Interest paid		(26.586.389)
1.1.3 Dividend received		13.177
1.1.4 Fees and commissions received		2.858.270
1.1.5 Other income		2.178.061
1.1.6 Collections from previously written off loans		1.328.304
1.1.7 Cash payments to personnel and service suppliers		(2.643.408)
1.1.8 Taxes paid		(172.670)
1.1.9 Other	(1)	(13.874.450)
1.2 Assets and Liabilities Subject to Banking Operations		6.967.809
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss		(42.439)
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		(11.619)
1.2.3 Net (increase) / decrease in loans		(51.561.378)
1.2.4 Net (increase) / decrease in other assets		(2.140.784)
1.2.5 Net increase / (decrease) in bank deposits		11.890.000
1.2.6 Net increase / (decrease) in other deposits		43.814.081
1.2.7 Net Increase / decrease in financial liabilities at fair value through profit or loss		-
1.2.8 Net increase / (decrease) in funds borrowed		(4.756.024)
1.2.9 Net increase / (decrease) in matured payables		-
1.2.10 Net increase / (decrease) in other liabilities	(1)	9.775.972
I. Net cash provided from banking operations		3.780.986
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities		(18.289.736)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(310.473)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		-
2.3 Fixed assets purchases		(1.091.076)
2.4 Fixed assets sales		236.886
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(12.081.446)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		6.051.624
2.7 Cash paid for purchase of investment securities		(17.449.447)
2.8 Cash obtained from sale of investment securities		6.368.539
2.9 Other		(14.343)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash used in financing activities		5.601.920
3.1 Cash obtained from loans borrowed and securities issued		8.553.666
3.2 Cash used for repayment of loans borrowed and securities issued		(2.763.036)
3.3 Bonds issued		-
3.4 Dividends paid		(188.795)
3.5 Payments for finance leases		-
3.6 Other		85
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	5.233.224
V. Net increase / (decrease) in cash and cash equivalents		(3.673.606)
VI. Cash and cash equivalents at beginning of the period	(4)	27.122.191
VII. Cash and cash equivalents at end of the period	(5)	23.448.585

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Statement of Cash Flows

as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Audited
		Prior period
	Note	1 January – 31 December 2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		3.656.363
1.1.1 Interest received		21.730.125
1.1.2 Interest paid		(14.302.974)
1.1.3 Dividend received		8.888
1.1.4 Fees and commissions received		2.512.134
1.1.5 Other income		1.850.733
1.1.6 Collections from previously written off loans		728.163
1.1.7 Cash payments to personnel and service suppliers		(2.194.575)
1.1.8 Taxes paid		(541.969)
1.1.9 Other	(1)	(6.134.162)
1.2 Assets and Liabilities Subject to Banking Operations		11.595.937
1.2.1 Net (increase) decrease in financial assets held for sale		(31.389)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		22.540
1.2.4 Net (increase) decrease in loans		(46.260.521)
1.2.5 Net (increase) decrease in other assets		(132.409)
1.2.6 Net increase (decrease) in bank deposits		(3.603.141)
1.2.7 Net increase (decrease) in other deposits		45.457.843
1.2.8 Net increase (decrease) in loans borrowed		(1.527.805)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities	(1)	17.670.819
I. Net cash provided from banking operations		15.252.300
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities		(4.581.992)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(14.994)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		-
2.3 Fixed assets purchases		(549.618)
2.4 Fixed assets sales		199.519
2.5 Cash paid for purchase of financial assets available for sale		(9.672.067)
2.6 Cash obtained from sale of financial assets available for sale		7.909.271
2.7 Cash paid for purchase of investment securities		(4.893.951)
2.8 Cash obtained from sale of investment securities		2.476.081
2.9 Other		(36.233)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash used in financing activities		24.122
3.1 Cash obtained from loans borrowed and securities issued		9.216.726
3.2 Cash used for repayment of loans borrowed and securities issued		(8.936.020)
3.3 Bonds issued		-
3.4 Dividends paid		(256.584)
3.5 Payments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	897.165
V. Net increase / (decrease) in cash and cash equivalents		11.591.595
VI. Cash and cash equivalents at beginning of the period	(4)	15.530.596
VII. Cash and cash equivalents at end of the period	(5)	27.122.191

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Statement of Profit Distribution

as of 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION⁽¹⁾

	Audited Current Period 31 December 2018
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1. Current Period Profit	2.717.818
1.2. Taxes and Legal Duties Payables (-)	(196.023)
1.2.1. Corporate Tax (Income Tax)	(9.840)
1.2.2. Withholding Tax	-
1.2.3. Other Taxes and Duties	(186.183)
A. Net Profit For The Period (1.1-1.2)	2.521.795
1.3. Accumulated Losses (-)	-
1.4. First Legal Reserves (-)	-
1.5. Other Statutory Reserves (-)	-
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	-
1.6. First Dividend to shareholders (-)	-
1.6.1. To Owners of Ordinary Shares	-
1.6.2. To Owners of Privileged Shares	-
1.6.3. To Owners of Redeemed Shares	-
1.6.4. To Profit Sharing Bonds	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-
1.7. Dividends to personnel (-)	-
1.8. Dividends to Board of Directors (-)	-
1.9. Second Dividend to Shareholders (-)	-
1.9.1. To Owners of Ordinary Shares	-
1.9.2. To Owners of Privileged Shares	-
1.9.3. To Owners of Redeemed Shares	-
1.9.4. To Profit Sharing Bonds	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	-
1.11. Status Reserves (-)	-
1.12. Extraordinary Reserves	-
1.13. Other Reserves	-
1.14. Special Funds	-
II. Distribution of Reserves	
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends to Shareholders (-)	-
2.3.1. To Owners of Ordinary Shares	-
2.3.2. To Owners of Privileged Shares	-
2.3.3. To Owners of Redeemed Shares	-
2.3.4. To Profit Sharing Bonds	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-
2.4. Dividends to Personnel (-)	-
2.5. Dividends to Board of Directors (-)	-
III. Earnings per Share	
3.1. To Owners of Ordinary Shares	2,0174
3.2. To Owners of Ordinary Shares (%)	201,74%
3.3. To Owners of Privileged Shares	-
3.4. To Owners of Privileged Shares (%)	-
IV. Dividend per Share	
4.1. To Owners of Ordinary Shares	-
4.2. To Owners of Ordinary Shares (%)	-
4.3. To Owners of Privileged Shares	-
4.4. To Owners of Privileged Shares (%)	-

⁽¹⁾ Board of Directors meeting was not held as of 31 December 2018 financial reporting date.

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Consolidated Statement of Profit Distribution

as of 31 December 2017

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

	Audited Prior Period 31 December 2017
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1. Current Period Profit	4,709,582
1.2. Taxes and Legal Duties Payables (-)	(984,120)
1.2.1. Corporate Tax (Income Tax)	(749,669)
1.2.2. Withholding Tax	-
1.2.3. Other Taxes and Duties	(234,451)
A. Net Profit For The Period (1.1-1.2)	3,725,462
1.3. Accumulated Losses (-)	-
1.4. First Legal Reserves (-)	186,273
1.5. Other Statutory Reserves (-)	-
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	3,539,189
1.6. First Dividend to shareholders (-)	62,500
1.6.1. To Owners of Ordinary Shares	62,500
1.6.2. To Owners of Privileged Shares	-
1.6.3. To Owners of Redeemed Shares	-
1.6.4. To Profit Sharing Bonds	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-
1.7. Dividends to personnel (-)	-
1.8. Dividends to Board of Directors (-)	-
1.9. Second Dividend to Shareholders (-)	123,774
1.9.1. To Owners of Ordinary Shares	123,774
1.9.2. To Owners of Privileged Shares	-
1.9.3. To Owners of Redeemed Shares	-
1.9.4. To Profit Sharing Bonds	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	32,344
1.11. Status Reserves (-)	-
1.12. Extraordinary Reserves	3,320,571
1.13. Other Reserves	-
1.14. Special Funds	-
II. Distribution of Reserves	
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends to Shareholders (-)	186,274
2.3.1. To Owners of Ordinary Shares	186,274
2.3.2. To Owners of Privileged Shares	-
2.3.3. To Owners of Redeemed Shares	-
2.3.4. To Profit Sharing Bonds	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-
2.4. Dividends to Personnel (-)	199,665
2.5. Dividends to Board of Directors (-)	-
III. Earnings per Share	
3.1. To Owners of Ordinary Shares	2,9804
3.2. To Owners of Ordinary Shares (%)	%298,04
3.3. To Owners of Privileged Shares	-
3.4. To Owners of Privileged Shares (%)	-
IV. Dividend per Share	
4.1. To Owners of Ordinary Shares	-
4.2. To Owners of Ordinary Shares (%)	-
4.3. To Owners of Privileged Shares	-
4.4. To Owners of Privileged Shares (%)	-

⁽²⁾ Dividends to personnel which added to 2017 net profit as a provision not sentenced in profit distribution, only shown in the table for information.

The accompanying notes are an integral part of these consolidated financial statements.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The Parent Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA Turkish Financial Reporting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities carried at fair value.

Accounting policies and accounting estimates on which the accompanying financial statements based are in compliance with "The Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulation" and other regulations, circulars and pronouncements published by the BRSA and with Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Parent Bank. Prior year consolidated financial statements and its related notes have not been restated due to the change in the accounting policy, as part of the transition clause of the adoption of TFRS 9. Accounting policies and valuation principles used in the preparation of the financial statements for 2018 and 2017 periods are presented separately. Accounting policies applicable for 2017 period are presented in the Section 3, Note XXVI. The impact of the adoption of TFRS 9 on the statement of financial position is explained in the Section 3, Note VII.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Disclosures of TFRS 9 Financial Instruments:

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced "TAS 39: Financial Instruments: Recognition and Measurement." standard.

All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Group has applied the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods. In this respect, the explanations of impacts on equity regarding the adoption of TFRS 9 is given in the Section 3, Note VII.

Classification and measurement of financial assets:

For the determination of which category a financial instrument shall be classified at initial recognition and whether contractual cash flows represent solely payments of principal and interest in accordance with TFRS 9 Standard is tested by the Group. According to the test results and business model of the Group, financial assets are recognized in the financial statements.

Impairment of financial assets:

As of 1 January 2018, the Group has started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note XXVI of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets have been divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

TFRS 15 Revenue From Contracts with Customers

TFRS 15 Revenue from Contracts with Customers standard provides single and comprehensive model and guidance regarding recognition of revenue and replaces TAS 18 Revenue Standard. The Standard is in effect starting from 1 January 2018 and the positive effect of the Group's financial statements, which have been booked to the opening equity amounting to TRY 8.002 dated 1 January 2018 without restating previous period financial statements.

New Standards not effective as of 1 January 2018

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard will be effective from annual periods beginning on or after 1 January 2019. The Group elected to apply the simplified transition approach for the first time adoption and will not restate comparative amounts for the prior year. The Group does not expect a significant impact in its financials.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

1) The Group's strategy on financial instruments:

Due to its historical mission, the Parent Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Bank can raise funds from money markets and borrowings abroad.

The Group follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Parent Bank are evaluated in the weekly Asset and Liability Committee meetings.

2) The Group's explanations on foreign currency transactions:

In the statutory records of the Group, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement.

The financial statements of the foreign branches and subsidiaries of the Parent Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches and subsidiaries are expressed in TRY which is the functional currency of the Group and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches and subsidiaries of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. The foreign branches' income and expenses are converted by at exchange rates at the dates of the transactions. The foreign subsidiaries' income and expenses are converted by average rate of the exchange of the current year.

The Group hedged the net investment risk from the foreign currency exchange rate fluctuations on foreign financial investments (Halkbank A.D. Beograd (subsidiary), Demir-Halk Bank N.V. (affiliate) and Halk Banka A.D., Skopje (subsidiary) with the foreign currency denominated funds (hedging instrument) as of 1 July 2015. In this context, exchange differences recorded in profit/loss and arising from funds denominated in foreign currencies that are determined to be effective in the current period will be shown in equity.

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES

1. Basis of consolidation:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and the Turkish Accounting Standards are applied in the consolidation.

a. Basis of consolidation of subsidiaries:

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Faktoring AŞ, Halk Banka A.D., Skopje, Halk Varlık Kiralama AŞ and Halkbank A.D. Beograd, are included in the scope of consolidation.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding preferred shares or of agreements with other shareholders although not owning the majority of capital.

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank's investment in each subsidiary and the Group's each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements. There is no item that a different accounting policy is applied.

b. Basis of consolidation of associates:

Investments in associates, Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ are presented in the accompanying financial statements based on the equity method of accounting. An associate is an entity established domestically and abroad in which the Parent Bank invests with a significant influence but no control.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Qualified share is the share that directly or indirectly constitute ten percent of a subsidiary's capital or voting rights and irrespective of this requirement, possession of preferred shares giving right to appoint members of board of directors.

Equity accounting method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted for in the Parent Bank's balance sheet.

Accounting principles used by the consolidated associates accounted for at equity method, Demir Halk Bank N.V., Kobi Girişim Sermayesi AŞ and Türk P ve I Sigorta AŞ, are the same of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures which subject to consolidation.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d. Principles applied during share transfer, merger and acquisition:

Accounting for business combinations

From 1 January 2010 the Group applies TFRS 3 Business Combinations (2008) in accounting for business combinations. Change in this accounting policy was applied prospectively and did not have a significant impact on earnings per share (EPS).

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

Goodwill at the acquisition date for business combinations on or after 1 January 2010 are measured as below:

- The fair value of the acquisition cost; plus
- The recognized amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, the gain on acquisition is recognized immediately in profit or loss.

Fair values of the identifiable acquired assets, liabilities and contingent liabilities if the initial recognition of the combination is to be made temporarily at the end of the period in which the combination takes place since the cost of the combination can be determined only temporarily on the basis of the carrying values, the acquirer accounts for the business combination on with temporary amounts. The temporary acquisition value of the combination should be adjusted within 12 months to reflect the completion of the transaction, including adjusting the goodwill.

The acquisition cost does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent liability is recognized at fair value at the acquisition date. If the contingent amount is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent amount are recognized in profit or loss.

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, the gain on acquisition is recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations are capitalized as part of the cost of the acquisitions.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

Derivative transactions of the Group consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The Group uses derivatives to avoid economical risks and account for as trading under TFRS 9 Standard as "Changes in Fair Value through Profit or Loss".

Pledges arises derivative transactions recorded in off-balance sheet accounts with their agreement amounts. Derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively depending on the fair values being positive or negative. Fair value changes of derivative instruments are recorded under income statement. Fair values of derivatives are calculated using discounted cash flow model or market value.

Explanations related to credit derivatives and its risk exposures:

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 31 December 2018, the bank has credit default swap transaction amounting to USD 260 million with 5 year maturity. In this transactions the Parent Bank sells protection.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TFRS 9 Standard".

Starting from 1 January 2018, the Group has started accruing interest accrual on non-performing loans. Net book value of the non-performing loans are discounted with effective interest rate and recognized with the gross book value of the non-performing loan.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

Fee and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. These fee and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Group, if the Group is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Group. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm's length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The estimated fair values of financial assets have been determined by the Group using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

Classification of the category of a financial instrument at initial recognition depends on both the business model for managing the financial assets and their contractual cash flow characteristics.

Assessment of Business Model

The Group classifies its financial assets in accordance with TFRS 9 through its business model which is used for financial assets management.

The Group's business model is related with how the Group manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Group's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both.

Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset.

The Group's business models are classified in three main categories in accordance with TFRS 9.

1. A business model whose objective is to hold assets in order to collect contractual cash flows:

A business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The purpose of the business model does not require to hold to collect the contractual cash flows of the instruments over their life, even the aim of the business model is to hold the instruments up to maturity for the contractual cash flows. Therefore, even when financial asset sales are anticipated or expected to occur in the future, the business model may still be a model that aims to retain financial assets in order to collect contractual cash flows.

The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value changes of the financial assets that are held within the scope of this business model are accounted for under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

3. Other Business Models:

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Group makes its decisions on the basis of business model, which is based on the fair value of the assets and manages the assets to obtain their fair value. Therefore, if the financial assets are held for the purpose of obtaining cash flows arising from their sale, the change in fair value are measured at fair value through profit or loss.

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, the Group classified all its financial assets based on the business model for managing the financial assets. Accordingly, the financial assets are classified as per TFRS 9 in three main categories listed below:

1. Financial assets measured at amortized cost,
2. Financial assets measured at fair value through other comprehensive income and
3. Financial assets measured at fair value through profit/loss.

TFRS 9, the paragraph 4, explains how financial assets are classified in accordance with methods explained in Article 1 and 2 and other than these financial assets, remaining financial assets are classified in accordance with the method detailed in Article 3.

1. Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met.

- a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

2. Financial Assets Measured at Fair Value through other comprehensive income

A financial asset is measured if both of the following conditions are met.

- a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

3. Financial Assets Measured at Fair Value through profit or loss

According to TFRS 9 paragraph 4.1.4, the financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. However, the Group may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

Cash Equivalents and Banks

Cash and bank balances in foreign currencies are valued by using the Group's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return subsequent to recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Reclassification of Financial Assets in accordance with TFRS 9

Reclassifications and remeasurements during the first time adoption of TFRS 9 Financial Instruments standard and the impairment provision as of 31 December 2017 calculated by the Group and expected loss provision as of 1 January 2018 in accordance with TFRS 9 are reconciled as follows:

	Before TFRS 9 Book Value			TFRS 9 Book Value
	31 December 2017	Reclassification Effect	Measurement Effect	1 January 2018
ASSETS				
Financial Assets (Net)	94.452.497	(23.511)	7.229	94.436.215
Cash and Cash Equivalents	44.282.712	-	-	44.282.712
Cash Balances and Central Bank	36.681.377	-	-	36.681.377
Banks	6.313.167	-	-	6.313.167
Receivables from Money Market	1.288.168	-	-	1.288.168
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	10.120.992	-	-	10.120.992
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	-	17.699.178	-	17.699.178
Financial Assets Measured at Amortised Cost	-	21.987.099	-	21.987.099
Derivative Financial Assets	362.516	-	-	362.516
Non – Performing Financial Assets	-	-	-	-
Expected Credit Losses (-)	-	23.511	(7.229)	16.282
Financial Assets Available for Sale (Net)	17.699.178	(17.699.178)	-	-
Investments Held to Maturity (Net)	21.987.099	(21.987.099)	-	-
Hedging Derivative Financial Assets	-	-	-	-
Loans (Net)	209.435.780	(2.185.709)	284.212	207.534.283
Loans	204.142.270	-	-	204.142.270
Performing Loans	198.939.764	-	-	198.939.764
Loans Under Follow up	5.202.506	-	-	5.202.506
Lease Receivables	2.671.253	(90.437)	-	2.580.816
Factoring Receivables	1.211.932	-	-	1.211.932
Non – performing Receivables	6.296.406	327.506	-	6.623.912
Expected Credit Losses (-)*	4.886.081	2.422.778	(284.212)	7.024.647
12 Month ECL (Stage 1)	-	2.080.595	(1.066.065)	1.014.530
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	105.114	662.865	767.979
Lifetime ECL Impaired Credits (Stage 3/Special Provision)	4.886.081	237.069	118.988	5.242.138
Assets Held for Sale and Assets of Discontinued Operations (Net)	790	-	-	790
Equity Investments	405.316	-	-	405.316
Associates (Net)	353.138	-	-	353.138
Subsidiaries (Net)	52.178	-	-	52.178
Joint Ventures (Net)	-	-	-	-
Tangible Assets (Net)	3.751.600	-	-	3.751.600
Intangible Assets (Net)	143.095	-	-	143.095
Investment Properties (Net)	910.378	-	-	910.378
Current Tax Asset	6.862	-	-	6.862
Deferred Tax Assets	87.181	-	-	87.181
Other Assets	3.026.257	-	-	3.026.257
TOTAL ASSETS	312.219.756	(2.209.220)	291.441	310.301.977

*The table above does not include the expected credit loss provisions calculated for non-cash loans that accounted for under liabilities.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Effects on Equity with TFRS 9 Transition

The Group reflected the classification, measurement and impairment requirements to opening equity without restating previous period financial statements. In this respect, TRY 249.633 arising between the provision for impairments of the previous period of the Group and the provision for the loan losses that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Prior Period Profit or Loss".

Deferred tax on previously booked general provisions (formerly general provisions now allocated for TFRS 9 expected loss provisions for the loans under first and second stages), is accounted for the first time as of 1 January 2018.

Accordingly, deferred tax assets amounting to TRY 421.222 have been booked to the opening financial statements of 1 January 2018 and the related amount has been classified under "Prior Period Profit or Loss" under equity.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

As of 1 January 2018, the Group recognizes loan loss allowances for expected credit losses on financial assets and loans measured at amortised cost and measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit / loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classifications of Loans and Allowances Allocated for Such Loans" effective from 1 January 2018. Financial assets measured at fair value are not assessed for impairment.

As of the reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition in accordance with TFRS 9 paragraph 5.5.4. When making the assessment, the Group shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Group measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Group calculates the expected credit loss on a collective basis by grouping the financial assets having common credit risk features or on an individual basis.

The Group constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration the change in the risk of a default event occurring over the expected life of the financial instrument.

Calculation of expected credit losses

A credit loss is present value of calculated difference between the total cash flows that will occur based on the contractual terms of financial instruments and the total cash flows, which the Group expects to collect, with the initial effective interest rate. The Group calculates expected credit losses based on a probability – weighted estimate of credit losses (the present value of all cash shortfalls) over the expected life of the financial instruments. The Group estimates cash flows over expected life of a financial instrument with the consideration of contractual terms of the financial instrument, and considers the weighted average of the credit losses as the expected default risk as the expected credit loss.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Probability of Default (PD)

It is defined as the probability that the debtor does not fulfill its obligations to the Group or in other words it can not repay its debts to the Group. This ratio is calculated for each loan based on various statistical assumptions depending on the maturity, internal behavioral model, external behavioral model and financial module data. The probability values take a value between 0 and 1, and as the probability value increases, the likelihood of the credit defaulting increases.

Loss given Default (LGD)

This is the parameter indicates the expected economic loss of the Group if the credit defaults. In the case of the credit defaults and the Group collects the entire amount of the default, LGD is zero, in the case of no collection, LGD is 100% percent. LGD rates are reviewed on a maximum of 1 year basis.

Exposure at Default (EAD)

It is the parameter that indicates how much of a loan will default. The default amount for a spot or installment loan is the amount, which is listed on the payment schedule at the time of default. Additionally, the default amount for the credit cards and limit gaps of overdraft accounts and non-cash loans, are calculated with a parameter called credit conversion rate (LCR). The default risk amount in the future is estimated by calculating by the statistical methods with the credit conversion rate, since it is not known at the time of loan origination due to undrawn commitment for limit of credit cards and overdraft accounts.

12 Month Probability of Default

It is the estimated probability of default occurring within the next 12 months following the balance sheet date. According to Article 5.5.5 of TFRS 9 standard, in the case of that there is no significant increase in credit risk of a financial instrument since its first recognition, the Group shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

In the case of a customer or a loan that is classified under Standard Loans (Stage I), the provision for loan is calculated on 365 days even if the maturity of the loan is above 1 year. In the case of maturity of the loan is under 1 year, number of days left to maturity (except revolving loans and credit cards) are used in calculations.

Lifetime Probability of Default

It is the estimated probability of default occurring over the remaining life of the financial instrument. According to article B5.5.3 of TFRS 9 standard, in case of a significant increase in credit risk for a financial instrument since its initial recognition, the Group shall measure provision for loss of related financial instrument as equal as expected lifetime probability of default amount.

In the case of a customer or loan is classified as Stage 2 and / or Stage 3, the provision for expected credit loss is measured at the lifetime probability of default. Despite the fact that the methods for used calculation for provision of expected credit loss are similar for Stage 2 and Stage 3 loans, the probability of default for Stage 3 credits is accepted as 100%.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

TFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Group is considering qualitative indicators (e.g. financial commitments), if appropriate, when defining a default according to article B5.5.37 of TFRS 9, for the purpose of determining the risk of business default and adopts a definition of default, consistent with the definition used for in-house credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

"The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument." in line with the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

a) Considering that a debtor is unlikely to pay credit obligations to the Parent Bank and to the Parent Bank's consolidated financial subsidiaries without using guarantees

b) Considering that a debt having past due more than 90 days to the Parent Bank or its financial subsidiaries

The expected loan loss provision for the loans classified as non-performing loans (Stage 3) is calculated using the estimation of loss given default (LGD). Aforementioned estimation is based on the historical data on a segment basis and determined by the principle loss charge, being the remaining amount after the collection made within the period after each segment has defaulted.

Low Credit Risk

TFRS 9 standard states that in some cases, the credit risk on a financial instrument can be calculated as low if the financial instrument has a low risk of default when there is no reliable past default data.

According to Article 5.5.10 of TFRS 9, if the entity determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its initial recognition in the financial statement. Those transactions in the Group are classified as follows:

- a) CBRT transactions (Currencies held in CBRT and reserve requirements)
- b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)
- c) Treasury Loans (Transactions with Treasury Republic of Turkey)
- d) Loans guaranteed by Treasury of Republic of Turkey

The Rules of Significant Increase in Credit Risk

Significant increase in credit risk requires measurement of the Group's provision for expected credit losses at lifetime probability of default instead of 12 month expected credit loss. In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under "Financial Assets at Fair Value through Other Comprehensive Income" or "Fair Value measured at Amortised Cost" in the Group's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds Obtained from Money Market" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Money Markets" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Assets that meet the criteria to be classified as held for sale are measured at carrying amount and depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify an asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year.

Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 3 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment except buildings that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property and equipment are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

As of 1 April 2015, the Group adopted the revaluation method for buildings in tangible assets in accordance with Turkish Accounting Standard No: 16 "Property, Plant and Equipment" (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in "Accumulated Other Comprehensive Income or Loss Not Reclassified through Profit or Loss" under the shareholders' equity.

Ordinary maintenance and repair expenses of property and equipment items are recognized as expenses.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2%
Safes	50	2%
Other movable properties	3-25	4-33,33%
Assets held under financial leases	4-5	20-25%

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no material mortgages, pledges or similar in cumbrances designated for the property and equipment.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Classification of Investment Properties:

If a land or building is being used by an owner and the intention is changed to an investment property, this property is classified as an investment property.

When the use of an immovable is changed and reclassified as an investment property, the actual value of the date on which the change in the use of the named property takes place will be the cost of the subsequent accounting.

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties in the attached consolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Investment properties are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

XV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property and equipment (movable properties) account and are depreciated by using the straight line method.

In the cases of the Group as lessor, the net investment of the assets held under financial leases at the initial recognition is recognized as financial lease receivables in the balance sheet. Finance lease income, as the difference between total financial lease receivable and investment value, is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Unrealised finance lease income is recognized in the account of unaccrued interest income in the related period.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is recognised subsequent to the share of reinsurers in policy income is deducted.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding claims are offset in these provisions.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims and life-mathematical provisions.

The unearned premiums consist of the gross portion of accrued premiums for insurance contracts that are overlapping to other period or periods on a daily basis without deducting a commission or any other discount. In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount calculated by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer. In accordance with the circular numbered 2016/37 issued on 11 November 2016, URR computation method is revised. Based on the new method, motor vehicles, compulsory traffic, third party liability and general liability branches' multiplier will be used as 95% for 2016, 90% for 2017 and 85% for 2018.

Outstanding claims reserves comprise incurred and accrued but not yet paid claims in the current or prior periods or incurred but not reported claims. Insurance companies may discount net cash outflows from outstanding claims reserves with respect to related insurance legislation, as per the Undersecretariat of Treasury's "Circular on Outstanding Claims Reserves Arising from Discounting of the Net Cash Flow" No. 2016/22 dated 10 June 2016.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on an actuarial basis.

Effective from 1 January 2005, the insurance entities comply with TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts are fully addressed. TFRS 4 requires that all contracts issued by insurance companies are classified as either insurance contracts or investment contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts.

A change in accounting policy is adopted only in case of presentation of more reliable results. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TFRS 9.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with earning of premium.

In accordance with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets matching the liabilities is taken into account in calculating the provision. The deficit, if any, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reversed.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provision and contingent liabilities are accounted in conformity with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of the Group's management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 "Employee Benefits". According to related legislation and union agreements, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability.

The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent actuary firm. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders' equity according to the revised TAS 19.

T. Halk Bankası Employee Pension Fund and T. Ziraat Bankası ve T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members including employees of the Bank. Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension funds would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

342

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly (TGNA) started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Council of Ministers decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, the authority of the Council of Ministers extending 2 years has been raised to 4 years.

The statement "The Council of Ministers have entitled to determine transfer period" has taken place in the scope of the Article 51 of the Law No: 6645 which was published on the Gazette on 23 April 2015 and numbered 29335.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2018 no technical deficit has been reported.

XX. EXPLANATIONS ON TAXATION

In accordance with provisional article 10 of the Law No. 5520 on Taxation No. 7061 added to the Article No 91 of the Law on Taxation, the 20% rate institutions listed in the first paragraph of the Article 32 of the Corporate Tax Law are subject to the taxation periods of 2018, 2019 and 2020 (for fiscal years beginning in the year concerned for the designated institutions). In addition, the Council of Ministers is authorized to reduce the rate of 22% written in the first sentence to 20%.

The tax rate used in the calculation of deferred tax assets and liabilities is 22% over temporary timing differences expected to reverse in 2018, 2019 and 2020 and 20% over temporary timing differences expected to reverse on and after 2021 (31 December 2017: 20%)

Calculated corporate tax as of 31 December 2017 has been paid in February 2018 thereby setting off calculated advanced taxes in previous periods. Moreover, accrued advance tax for 1 January-31 March 2018 period is paid in May 2018 and accrued advance tax for 1 January-30 June 2018 period and for 1 January-30 September 2018 period have not been paid since accumulated tax losses occurred. Furthermore, advance tax for 1 January-31 December 2018 period will also be accrued in February 2019.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

Halk Gayrimenkul Yatırım Ortaklığı AŞ

Income from the operations related with the investment properties of the Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ established in 2010, is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also applied for the advanced tax periods.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Halk Banka A.D. Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka A.D., Skopje is subject to tax regulations in the Republic of Macedonia. The income tax computation base had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia.

"Distributions" are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid,
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with TAS 37 adopted in the Republic of Macedonia.

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

Halk Bank A.D. Beograd

The Parent Bank's subsidiary acquired in 2015 Halk Bank AD, Beograd is subject to tax regulations in the Republic of Serbia. The annual corporate income tax is payable at the rate of 15% on profit before tax, adjusted for temporary differences.

The Law on Corporate Income Tax in the Republic of Serbia does not allow any tax losses of the current period to be used to recover taxes paid in previous periods. However, any current year losses disclosed in the tax balance up to 2009 may be used to reduce tax base for future periods, but only for a period not longer than ten years. Tax losses carried forward after 2010 may be used for reduction of tax base for the following accounting periods for a maximum 5 years. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Group borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

XXII. EXPLANATIONS ON SHARES ISSUED

Share issuances related to costs are recognized as expenses. Dividends related with the equity shares are determined by the General Assembly of the Parent Bank.

The Parent Bank has not issued any shares in the current and prior period. In accordance with the decision of the Higher Council of Privatization dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered with the Capital Markets Board as per the CMB decision dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul AŞ as of 10 May 2007.

As per the decision of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

Halk GYO has applied to the CMB on 29 August 2012 to increase its issued capital from TRY 477.000 to TRY 662.500 within TRY 1.500.000 registered capital ceiling, by public offering of the corresponding B group bearer shares of TRY 185.500. Application was approved in accordance with the decision promulgated by the CMB's decision numbered 4/97 dated 8 February 2013. As at 15 February 2013 the public offering of B group bearer shares of TRY 185.500 was made by restricting the preemptive rights of the existing shareholders. After completing the investors' book building, Halk GYO's shares started to be traded on Borsa İstanbul AŞ on 22 February 2013.

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Parent Bank in the current and prior period.

XXV. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Group. The Parent Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The information of the Group's business segments is explained in section four, disclosure numbered VII.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD

TFRS 9 Financial Instruments" standard came into effect to replace "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies no longer applicable after the transition of TFRS 9 are given below.

The Group categorized its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity" in prior periods.

1. Financial assets at fair value through profit and loss

1.1. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are measured at fair values after the initial recognition. All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of financial asset and its discounted value are recognized in "Interest Income", in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account and the dividends presented under dividend income. In the case of financial asset is sold off before its maturity, consisted gains or losses are accounted within the same principals.

1.2. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not acquired for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

2. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their amortized cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Group as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

3. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized cost is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "amortized cost" using the internal rate of return is regarded as the fair value. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or impairment of those assets. Fair value differences accounted for under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when proceeds are collected.

4. Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return subsequent to recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Explanations on Impairment of Financial Assets

At each balance sheet date, the Group reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Group determines the related impairment amount. A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

For loans and receivables; the Group's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions ("Communiqué")" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not book provisions for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the respective coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety type of collaterals defined in the Article 9 of the related legislation. Unindemnified and not reimbursed non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the principal, and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

The Parent Bank provides general allowances for loan and other receivables in accordance with the Provisioning Regulation. The allowances are recorded in income statement of the related period. Provisions made during the period are recorded under "provision for losses on loans and other receivables". Provisions booked in the prior periods and released in the current year are recorded under "other operating income".

XXVII. EXPLANATIONS ON OTHER MATTERS

None.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2018, the Group's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" is 13,36% (31 December 2017: 13,59%). The equity is calculated as TRY 37.420.830 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2017: TRY 28.415.296).

349

1. Information About Total Consolidated Capital Items:

Current Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.740	
Reserves	20.821.125	
Other Comprehensive Income according to TAS	2.507.445	
Profit	3.664.491	
Current Period Profit	2.656.647	
Prior Period Profit	1.007.844	
Bonus Shares from Associates, Affiliates and		
Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interest	1.900	
Common Equity Tier I Capital Before Deductions	29.509.875	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	213.376	
Leasehold Improvements on Operational Leases	78.907	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	183.411	183.411
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined pension benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions From Common Equity Tier 1 Capital	475.694	
Total Common Equity Tier 1 Capital	29.034.181	

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital	-	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital During the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	29.034.181	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.466.826	
Tier II Capital Before Deductions	8.396.621	
Deductions From Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	8.396.621	
Total Capital (The sum of Tier I Capital and Tier II Capital)	37.430.802	
Total Tier I Capital and Tier II Capital (Total Equity)	37.420.830	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	9.972	

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
TOTAL CAPITAL		
Total Capital	37.420.830	
Total Risk Weighted Assets	280.132.781	
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	10,36	
Tier I Capital Ratio (%)	10,36	
Capital Adequacy Ratio (%)	13,36	
BUFFERS		
Bank-specific total CET1 Capital Ratio (a+b+c)	2,696	
a) Capital Conservation Buffer Ratio (%)	1,875	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,071	
c) Systemic significant bank buffer ratio (%)	0,750	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,364	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	96.852	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	2.447.392	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	1.579.308	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.466.826	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.466.826	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

*Amounts in this column represents the amounts of items that are subject to transitional provisions.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.737	
Reserves	17.028.610	
Other Comprehensive Income according to TAS	1.635.974	
Profit	4.139.070	
Current Period Profit	4.038.239	
Prior Period Profit	100.831	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interests	1.655	
Common Equity Tier I Capital Before Deductions	25.320.220	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	-	
Leasehold Improvements on Operational Leases (-)	64.929	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	114.476	143.095
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined pension benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions From Common Equity Tier 1 Capital	179.405	
Total Common Equity Tier 1 Capital	25.140.815	

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital	-	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital During the Transition Period	28.619	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	28.619	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	25.112.196	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.000.000	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.317.157	
Tier II Capital Before Deductions	3.317.157	
Deductions From Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	3.317.157	
Total Capital (Total Tier I Capital and Tier II Capital)	28.429.353	
Total Tier I Capital and Tier II Capital (Total Equity)	28.415.296	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be defined by the BRSA (-)	14.047	

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	28.415.296	
Total Risk Weighted Assets	209.028.282	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	12,03	
Tier I Capital Ratio (%)	12,01	
Capital Adequacy Ratio (%)	13,59	
BUFFERS		
Bank-specific total CET1 Capital Ratio	6,278	
Capital Conservation Buffer Ratio (%)	1,250	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,028	
Systemic Bank Buffer Ratio (%)	0,500	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,594	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	65.577	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	1.965.971	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	317.442	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.317.157	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.317.157	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

* Amounts in this column represents the amounts of items that are subject to transitional provisions.

2. The equity is calculated on the capital adequacy ratio calculation basis having reduced deductible assets on equity from the sum of core capital and supplementary capital within the scope of "Regulation on Equities of Banks" (Regulation). The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision and subordinated debt instruments. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under property and equipment in the balance sheet and intangible assets. Additionally, some of the accounts determined by the Board are reduced from the total equity in the calculation of capital.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

3. Information about instruments to be included in the Equity Calculation

Details on Subordinated Liabilities:			
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation
Regulatory treatment			
Transitional Basel III rules	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980
Par value of instrument	1.000	1.950	2.980
Accounting classification	346.011	346.011	346.011
Original date of issuance	20.10.2017	3.07.2018	26.09.2018
Perpetual or dated	Dated	Dated	Dated
Original maturity date	20.10.2017	3.07.2018	26.09.2018
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-
Subsequent call dates, if applicable	-	-	-
Coupons / dividends			
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %
Existence of a dividend stopper	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-
Existence of step up or other incentive to redeem	-	-	-
Noncumulative or cumulative	-	-	-
Convertible or non-convertible			
If convertible, conversion trigger (s)	-	-	-
If convertible, fully or partially	-	-	-
If convertible, conversion rate	-	-	-
If convertible, mandatory or optional conversion	-	-	-
If convertible, specify instrument type convertible into	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-
Write-down feature			
If write-down, write-down trigger(s)	-	-	-
If write-down, full or partial	-	-	-
If write-down, permanent or temporary	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	-	-
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.
Details of incompliance with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, , Regional Lending Committees, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

In accordance with the risk management policies of the Group, the limits are specified in respect of the main and sub-sectors. Those limits are monitored periodically.

The Group, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Group's risk is concentrated in Turkey. As per the loan procedures, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations concerning the off-balance sheet operations based on the customers and banks are monitored systematically.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are diversified in accordance with the Group's risk management system.

As prescribed in the related Communiqué, the credit worthiness of the debtors of the loans and other receivables is monitored regularly and statements of accounts taken for the loans are audited in line with the related regulations.

Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Group is exposed to significant credit risks, it has the tendency to discontinue cease its forward or similar type of transactions by exercising rights, fulfilling the requirements of the acquisitions or disposing of the agreements entered into to mitigate the total risk.

The Group's largest 100 and 200 cash loan customers compose 27,46% and 32,80% of the total cash loan portfolio, respectively.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Group's largest 100 and 200 non-cash loan customers compose 44,16% and 55,53% of the total non-cash loan portfolio, respectively.

The Group's largest 100 ve 200 cash and non-cash loan customers represent 18,92% and 23,93% of the total "on and off balance sheet" assets, respectively.

Stage I and Stage II expected losses for credit risks of the Bank is TRY 2.442.978 (31 December 2017: TRY 2.317.157).

Exposure Categories:	Current Period		Prior Period	
	Risk Amount ⁽¹⁾	Average Risk Amount	Risk Amount ⁽¹⁾	Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	110.371.526	103.462.066	86.569.516	74.915.955
Conditional and unconditional exposures to regional governments or local authorities	3.887.468	3.644.854	3.067.554	2.472.885
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	3.222.986	3.020.021	1.660.748	1.314.455
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international Organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	15.181.630	12.794.943	13.717.654	10.382.528
Conditional and unconditional exposures to corporates	141.127.895	118.198.354	97.997.365	90.892.897
Conditional and unconditional retail exposures	73.203.463	70.252.474	61.922.342	58.718.635
Conditional and unconditional exposures secured by real estate property	70.334.762	66.237.125	57.799.207	52.307.972
Past due items	2.287.307	1.528.694	1.441.160	1.462.049
Items in regulatory high-risk categories	139.449	98.848	57.407	123.794
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Other items	18.200.590	15.370.260	12.233.922	12.089.549

⁽¹⁾ Includes the risk amounts after credit conversions.

⁽²⁾ As of 31 December 2018, there is an overdraft finance lease receivable amounting to TRY 168.074 which is 100% risk-weighted in the risk class overdue receivables risk class in the credit risk table. (31 December 2017: TRY 76.635)

358

Türkiye Halk Bankası A.Ş.*Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018*

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Profile of significant exposures in major regions:

	Risk Classifications ⁽¹⁾									
	Conditional and unconditional exposures to central banks	Conditional and unconditional exposures to governments or local authorities	Conditional and unconditional exposures to regional administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Total
Current Period										
1. Domestic	110.368.546	3.887.468	3.222.986	4.605.418	139.223.547	72.873.180	69.784.435	2.230.464	77.157	18.200.567 424.473.768
2. European Union (EU) Countries	-	-	-	5.159.833	244.996	177.859	339.812	37.805	-	5.960.305
3. OECD Countries	-	-	-	181.356	-	105.187	116.630	2.286	62.094	21 467.574
4. Off-Shore Banking Regions	-	-	-	1.035	-	16	-	-	-	1.051
5. USA, Canada	2.490	-	-	4.706.381	30.133	220	4.496	1	-	4.743.721
6. Other Countries	490	-	-	527.607	1.629.219	47.001	89.389	16.751	198	2 2.310.657
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-
Total	110.371.526	3.887.468	3.222.986	15.181.630	141.127.895	73.203.463	70.334.762	2.287.307	139.449	18.200.590 437.957.076
Prior Period										
1. Domestic	86.569.515	3.067.554	1.660.722	12.049.313	95.967.363	61.809.588	57.445.940	1.414.190	57.407	12.206.480 332.248.072
2. European Union (EU) Countries	-	-	26	905.606	613.615	107.759	268.877	26.953	-	27.442 1.950.278
3. OECD Countries	-	-	-	101.859	612	2.115	19.227	17	-	123.830
4. Off-Shore Banking Regions	-	-	-	509	-	13	-	-	-	522
5. USA, Canada	-	-	-	280.681	301.487	84	360	-	-	582.612
6. Other Countries	1	-	-	379.686	1.114.288	2.783	64.803	-	-	1.561.561
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-
Total	86.569.516	3.067.554	1.660.748	13.717.654	97.997.365	61.922.342	57.799.207	1.441.160	57.407	12.233.922 336.466.875

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.⁽²⁾ Assets and liabilities that are not consistently allocated.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Profile of significant exposures by sectors:

	Risk Classifications ⁽¹⁾										Receivables in regulatory high-risk categories	Past due receivables	TRY	FC	Total
	Current Period	Conditional and unconditional exposures to central governments or local authorities	Conditional and unconditional exposures to regional governments or non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to real estate property	Conditional and unconditional exposures to secured by real estate property	Other	TRY	FC					
Agriculture	134,020	53	-	-	380,008	579,537	154,445	14,910	986,422	276,572	-	14,910	986,422	276,572	1,262,994
Farming and Stockbreeding	122,792	53	-	-	223,959	551,344	141,715	12,118	903,765	148,237	-	12,118	903,765	148,237	1,052,002
Forestry	252	-	-	-	1,167	6,184	1,597	-	9,200	-	-	-	9,200	-	9,200
Fishery	10,976	-	-	-	154,882	22,009	11,133	2,792	73,457	128,335	-	2,792	73,457	128,335	201,792
Manufacturing	8,884,851	234	1,272,433	-	54,554,706	11,187,879	20,355,533	746,470	44,978,073	52,057,673	-	746,470	44,978,073	52,057,673	97,035,746
Mining and Quarrying	109,537	-	805,542	-	2,033,920	260,045	187,114	6,249	583,647	2,818,760	-	6,249	583,647	2,818,760	3,402,407
Production	8,624,750	8	44,974	-	40,136,618	10,788,963	18,456,722	739,960	41,281,620	37,948,815	-	739,960	41,281,620	37,948,815	79,230,435
Electricity, Gas and Water	150,544	226	17,117	-	12,384,168	138,871	1,711,697	261	3,112,806	11,290,098	-	261	3,112,806	11,290,098	14,402,904
Construction	1,407,604	-	537	-	15,039,058	2,346,518	2,099,436	288,038	13,216,038	7,935,154	-	288,038	13,216,038	7,935,154	21,151,192
Services	8,377,278	10,654	1,242,486	15,089,207	39,344,693	32,434,845	19,980,338	1,011,325	81,154,848	53,757,321	-	1,011,325	81,154,848	53,757,321	134,912,169
Wholesale and Retail Trade	6,153,897	2,033	602,851	-	15,908,730	19,833,799	9,422,488	700,486	43,450,788	9,174,352	-	700,486	43,450,788	9,174,352	52,625,140
Accommodation and Dining	1,078,626	169	1,903	-	2,740,969	1,199,490	5,645,843	211,056	3,432,978	12,445,090	-	211,056	3,432,978	12,445,090	15,878,068
Transportation and Telecom.	351,622	8,448	284,352	-	4,917,618	9,533,295	899,028	24,282	11,421,162	4,599,485	-	24,282	11,421,162	4,599,485	16,020,647
Financial Institutions	47,762	-	328,209	15,054,460	3,918,437	73,990	862,616	8	16,078,826	15,824,346	-	8	16,078,826	15,824,346	36,364,308
Real Estate and Rental Services	190,054	-	1,066	-	4,469,943	565,986	1,907,806	47,135	1,896,627	5,289,067	-	47,135	1,896,627	5,289,067	7,185,694
Professional Services	78,642	-	-	34,747	3,114	864,278	126,002	3,183	1,404,423	347	-	3,183	1,404,423	347	1,404,770
Educational Services	181,428	-	753	-	1,551,208	168,397	342,197	10,224	1,376,218	887,632	-	10,224	1,376,218	887,632	2,263,850
Health and Social Services	295,047	4	23,352	-	834,674	195,610	774,358	14,951	1,031,696	2,348,306	-	14,951	1,031,696	2,348,306	3,169,692
Other	91,567,773	3,976,527	707,330	92,423	31,809,430	24,654,684	27,745,010	256,564	745,785	115,159,243	139,449	256,564	745,785	115,159,243	183,594,975
Total	110,371,526	3,887,468	3,222,986	15,181,630	141,127,895	73,203,463	70,334,762	2,287,307	18,200,590	255,494,624	139,449	2,287,307	18,200,590	255,494,624	437,957,076

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

360

Prior Period	Risk Classifications ⁽¹⁾										Receivables in regulatory high-risk categories	Past due receivables	Other	TRY	FC	Total
	Conditional and unconditional exposures to central banks	Conditional and unconditional exposures to administrative bodies and or local non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures secured by real estate property	Conditional and unconditional exposures	Conditional and unconditional exposures	Conditional and unconditional exposures	Conditional and unconditional exposures						
Agriculture	1	5	15	10.365	616.431	695.401	140.782	32.107	-	85.400	875.269	705.238	131.761	955.084		
Farming and Stockbreeding	1	3	15	10.365	222.147	572.922	128.461	20.777	-	393	823.323	705.238	131.761	955.084		
Forestry	-	-	-	-	272.134	89.058	1.005	9.812	-	78.714	5.520	445.205	174.698			
Fishery	-	-	-	-	122.150	33.421	11.316	1.518	-	6.793	46.426	128.272	174.698			
Manufacturing	764.116	64.451	1.268.425	382.597	41.173.234	12.709.085	16.119.424	874.369	-	419.292	37.959.276	35.815.717	73.774.993			
Mining and Quarrying	-	-	584.772	983	1.271.114	190.474	181.561	14.881	-	16.208	706.534	1.553.459	2.259.993			
Production	764.116	64.424	664.185	381.614	30.911.345	12.455.581	14.611.325	859.488	-	400.657	34.374.980	26.737.765	61.112.745			
Electricity, Gas and Water	-	27	19.468	-	8.990.775	63.030	1.326.038	-	-	2.417	2.877.762	7.524.493	10.402.255			
Construction	38	2	144	133.503	13.362.849	2.309.935	1.716.747	102.175	-	116.411	10.272.919	7.468.885	17.741.804			
Services	617.743	41.629	228.075	13.178.512	33.799.735	29.921.492	16.399.928	382.260	-	5.920.072	58.278.088	42.211.358	100.489.446			
Wholesale and Retail Trade	176	9.272	29.098	10.165	12.931.392	19.644.944	7.802.434	190.039	-	71.925	34.394.147	6.295.298	40.689.445			
Accommodation and Dining	3	128	1.667	3.645	6.052.569	1.020.038	4.423.745	67.561	-	13.654	2.307.516	9.275.494	11.583.010			
Transportation and Telecom.	-	13.300	142.849	3.667	6.330.973	7.609.568	872.888	19.810	-	6.746	8.808.691	6.145.930	14.954.621			
Financial Institutions	369.534	-	3.766	13.148.707	2.747.140	50.944	716.879	14	-	5.720.976	8.577.346	14.180.614	22.757.960			
Real Estate and Rental Services	174.232	18.740	-	130	3.124.606	445.252	1.595.358	77.750	-	8.330	1.325.798	4.118.600	5.444.398			
Professional Services	2	2	4	-	13	742.627	132.057	1.666	-	-	875.950	421	876.371			
Educational Services	194	176	23.692	7.290	1.118.843	168.378	293.811	3.132	-	11.217	888.117	738.616	1.626.733			
Health and Social Services	73.602	11	26.979	4.908	1.494.199	239.741	607.956	22.288	-	87.224	1.100.523	1.456.385	2.556.908			
Other	85.187.618	2.961.467	164.089	12.677	9.045.116	16.286.429	23.422.326	50.249	57.407	5.692.747	97.170.842	45.709.283	142.880.125			
Total	86.569.516	3.067.554	1.660.748	13.717.654	97.997.365	61.922.342	57.799.207	1.441.160	57.407	12.233.922	204.556.394	131.910.481	336.466.875			

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Analysis of maturity-bearing exposures according to remaining maturities ^(*) ^(**):

Current Period	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	1.076.863	1.172.870	1.962.225	5.029.589	101.129.979
2. Conditional and unconditional exposures to regional governments or local authorities	59.483	15.347	35.149	268.548	3.508.941
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	561.337	38.004	24.494	250.653	2.348.498
4. Conditional and unconditional exposures to banks and brokerage houses	6.258.408	95.975	84.047	195.583	8.547.617
5. Conditional and unconditional exposures to corporates	17.867.671	7.419.406	13.985.757	27.401.468	99.700.536
6. Conditional and unconditional retail exposures	8.162.037	2.770.442	4.687.908	13.392.470	89.417.874
7. Past due items	2.277.675	-	15	170	9.447
8. Other Items	589.452	375.674	191.166	151.962	16.892.336
Total	36.852.926	11.887.718	20.970.761	46.690.443	321.555.228

^(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

^(**)Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Prior Period	Term to Maturity				
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
1. Conditional and unconditional exposures to central governments or central banks	1.537.354	512.331	1.200.790	2.999.040	80.320.001
2. Conditional and unconditional exposures to regional governments or local authorities	49.077	17.414	74.464	165.900	2.760.699
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	725.004	5.371	7.920	109.237	813.216
4. Conditional and unconditional exposures to banks and brokerage houses	12.857.780	674.329	87.475	74.633	23.437
5. Conditional and unconditional exposures to corporates	12.376.238	6.745.485	10.755.811	17.893.970	71.588.636
6. Conditional and unconditional retail exposures	4.909.361	2.111.072	3.874.026	10.956.580	76.565.142
7. Past due items	1.433.547	-	1	2	7.610
8. Other Items	880.464	199.310	48.674	31.085	11.074.389
Total	34.768.825	10.265.312	16.049.161	32.230.447	243.153.130

^(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

^(**) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

Islamic International Rating Agency (IIRA) country ratings are taken into account in calculating the Bank's capital adequacy. For other portfolios, the ratings given by the Fitch Ratings are used for the counterparties resident abroad.

Islamic International Rating Agency (IIRA) notes are used in the "Central Government or Receivables from Central Banks" portfolio. Fitch Ratings' rating grades are used for the risk classes listed below, provided that they are resident abroad.

- Receivables on banks and intermediary institutions
- Receivables on regional governments or local authorities
- Receivables on administrative bodies and other non-commercial undertakings
- Receivables on multilateral development banks
- Corporate Receivables

The relevant risk classification is used in determining the risk weights on a receivable that is classified as per the second section, Article 8 of the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks. In the absence of a specific rating, the provisions of paragraph a,b and c of Article 9 of the regulation mentioned should be used.

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables. In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

Implementation of the risk weights to receivables from Regional Governments or local authorities are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weights to receivables from multilateral development banks except those listed in the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks, are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weight for unrated receivables from banks and intermediary institutions can not be lower than the risk weight of receivables from sovereigns which they are settled in.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

363

Credit Quality Grade and Rating Matching Table							
Credit Quality Grade	IIIRA		Fitch				
	Rating	Exposures to Central Governments or Central Banks	Rating	Exposures to administrative bodies and other non-commercial undertakings	Exposures to Banks and Brokerage Houses		Exposures to Corporates
					Exposures with Original Maturities Less Than 90 Days	Exposures with Original Maturities More Than 90 Days	
1	AAA	0%	AAA	20%	20%	20%	20%
	AA+		AA+				
	AA		AA				
	AA-		AA-				
2	A+	20%	A+	50%	20%	50%	50%
	A		A				
	A-		A-				
3	BBB+	50%	BBB+	100%	20%	50%	100%
	BBB		BBB				
	BBB-		BBB-				
4	BB+	100%	BB+	100%	50%	100%	100%
	BB		BB				
	BB-		BB-				
5	B+	100%	B+	100%	50%	100%	150%
	B		B				
	B-		B-				
6	CCC+	150%	CCC+	150%	150%	150%	150%

Receivables from consolidated private sector:

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA Calculations for Trading Book	Total
TURKEY	271.032.228	40.490	271.072.718
SERBIA	5.896.157	1.065	5.897.222
MAKEDONIA	3.892.737	-	3.892.737
SAUDI ARABIA	2.564.736	-	2.564.736
VIRGIN ISLANDS(US)	1.417.305	-	1.417.305
TRNC	453.652	-	453.652
UNITED KINGDOM	276.537	-	276.537
FRANCE	262.996	-	262.996
SWITZERLAND	160.077	-	160.077
INDIA	79.584	-	79.584
KIRGHIZSTAN	124.303	-	124.303
GERMANY	71.977	-	71.977
UNITED STATES	55.443	80.553	135.996
OTHER ⁽¹⁾	239.039	-	239.039

* Countries having less than 55.000.000 Turkish Lira (full TRY) risk weighted amount are classified under "Others".

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Exposures by Consolidated risk weights:

Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	74.137.076	-	9.941.657	-	32.993.033	129.600.006	190.598.044	139.449	-	547.811	272.304
2.Exposures after Credit Risk Mitigation	93.822.578	844.508	11.527.606	40.119.826	66.125.319	72.750.843	152.079.136	139.449	-	547.811	272.304

Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	59.532.270	-	6.906.873	-	22.474.709	108.695.802	138.365.815	57.407	-	433.999	222.081
2.Exposures after Credit Risk Mitigation	78.174.802	19	8.028.877	34.775.748	48.618.780	59.842.697	106.534.546	57.407	-	433.999	222.081

Information by major sectors and type of counterparties:

Current Period

Major Sectors /Counterparties	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credits⁽³⁾ Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (IFRS 9)
Agriculture	64.089	111.085	95.410
<i>Farming and Stockbreeding</i>	45.205	98.231	84.737
<i>Forestry</i>	75	634	608
<i>Fishery</i>	18.809	12.220	10.065
Manufacturing	3.620.694	3.514.758	3.174.777
<i>Mining and Quarrying</i>	80.219	380.056	269.114
<i>Production</i>	3.046.630	3.129.795	2.892.720
<i>Electricity, Gas and Water</i>	493.845	4.907	12.943
Construction	3.582.220	1.143.815	1.146.633
Services	7.854.301	3.195.260	2.831.468
<i>Wholesale and Retail Trade</i>	3.059.057	2.078.831	1.718.848
<i>Accommodation and Dining</i>	756.180	547.878	411.419
<i>Transportation and Telecommunication</i>	433.496	94.339	100.072
<i>Financial Institutions</i>	848.267	11.384	70.776
<i>Real Estate and Rental Services</i>	2.521.579	343.596	417.590
<i>Professional Services</i>	43.507	10.767	8.760
<i>Educational Services</i>	97.696	21.470	22.996
<i>Health and Social Services</i>	94.519	86.995	81.007
Other	1.461.127	949.601	741.141
Total	16.582.431	8.914.519	7.989.429

⁽¹⁾Income accruals amounting to TRY 723.658 are not included in the table.⁽²⁾Income accruals amounting to TRY 368.479 are not included in the table.⁽³⁾Leasing receivables and factoring receivables are not included in the table.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Credits			
	Impaired Credits ⁽¹⁾	Past Due Credits ⁽²⁾	Value Adjustments	Provisions
Major Sectors /Counterparties				
Agriculture	92.749	12.915	226	75.549
Farming and Stockbreeding	83.371	12.205	212	67.697
Forestry	8.904	-	-	7.387
Fishery	474	710	14	465
Manufacturing	2.798.522	784.706	15.348	2.032.134
Mining and Quarrying	130.201	13.126	239	115.312
Production	2.664.709	391.994	7.524	1.913.972
Electricity, Gas and Water	3.612	379.586	7.585	2.850
Construction	1.149.091	119.290	2.023	995.733
Services	2.195.411	1.178.444	22.942	1.742.358
Wholesale and Retail Trade	1.322.062	723.120	14.007	947.799
Accommodation and Dining	145.087	73.441	1.391	118.960
Transportation and Telecommunication	102.766	173.655	3.382	65.875
Financial Institutions	11.834	941	19	10.740
Real Estate and Rental Services.	537.563	163.105	3.262	532.337
Professional Services	-	26.058	521	-
Educational Services	6.885	6.620	132	3.752
Health and Social Services	69.214	11.504	228	62.895
Others	60.633	395.024	10.545	40.307
Total	6.296.406	2.490.379	51.084	4.886.081

⁽¹⁾ Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

⁽²⁾ Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above. Movements in value adjustments and provisions:

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Movements in value adjustments and provisions:

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments*	Closing Balance
1. Stage III expected credit loss	4.886.081	1.814.758	37.273	118.988	6.782.554
2. Stage I and Stage II expected credit loss	2.185.709	462.311	-	(403.200)	2.244.820

**Includes ECL amounts arising from the TFRS 9 transition effect.

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments⁽¹⁾	Closing Balance
1. Specific Provisions	4.055.388	1.139.908	309.215	-	4.886.081
2. General Provisions	2.049.136	268.934	913	-	2.317.157

The table below shows the maximum risk exposure to credit risk for the components of the financial statements.

Gross Maximum Exposure	Current Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	35.579.724
Due from Banks	5.146.171
Money Market Receivables	65.318
Financial Assets at Fair Value through Profit or Loss ⁽¹⁾	164.555
Financial Assets at Fair Value through Other Comprehensive Income	4.864.812
Financial Assets Measured at Amortised Cost	56.331.345
Loans	254.147.852
Leasing Receivables (net)	3.050.644
Factoring Receivables	1.381.520
Total	360.731.941
Contingent Liabilities	83.669.975
Commitments	27.842.237
Total	111.512.212
Total Credit Risk Exposure	472.244.153

⁽¹⁾As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Gross Maximum Exposure	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	36.681.377
Due from banks	6.313.167
Money Market Receivables	1.288.168
Financial Assets at Fair Value through profit or loss ⁽¹⁾	481.839
Financial Assets Available for Sale	17.620.079
Held to maturity Investments	21.987.099
Loans Given	205.552.595
Receivables form Leasing Transactions (Net)	2.671.253
Factoring Receivables	1.211.932
Total	293.807.509
Contingent Liabilities	58.787.658
Commitments	25.114.194
Total	83.901.852
Total Credit Risk Exposure	377.709.361

⁽¹⁾As of 31 December 2017, TRY 10.000.429 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

The net value and type of collaterals of the loans amounting TRY 16.311.877 followed under loans and other receivables under close monitoring section is below (31 December 2017: TRY 5.128.482).

Collateral Types^{(1),(2)}	Net Value of Collateral
Current Period	
Real estate mortgage	9.040.540
Salary pledge, vehicle pledge and pledge of commercial undertaking	346.327
Financial collaterals (cash, securities pledge, etc.)	1.122
Cheque / bills	73.795
Sureties	2.902.109
Other	3.947.984
Total	16.311.877

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.

⁽²⁾Income accruals amounting to TRY 723.658 are not included in the table.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Collateral Types^{(1),(2)}	Net Value of Collateral
Prior Period	
Real estate mortgage	3.127.124
Salary pledge, vehicle pledge and pledge of commercial undertaking	139.087
Financial collaterals (cash, securities pledge, etc.)	1.671
Cheque / bills	11.068
Sureties	808.779
Other	1.040.753
Total	5.128.482

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.

⁽²⁾ Income accruals amounting to TRY 74.024 are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 9.282.998 followed under non-performing loans section is below (31 December 2017: TRY 6.296.406).

Collateral Types⁽¹⁾	Net Value of Collateral Current Period
Cash	4.638
Mortgage	2.108.062
Pledge	387.032
Cheque / bills	24.060
Sureties	4.321.922
Other ⁽²⁾	2.068.804
Total	8.914.519

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

⁽²⁾ Income accruals amounting to TRY 368.479 are not included in the table.

Collateral Types⁽¹⁾	Net Value of Collateral Prior Period
Cash	271
Mortgage	1.708.612
Pledge	236.880
Cheque / bills	8.527
Sureties	1.688.191
Other	2.653.925
Total	6.296.406

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the foreign currency position risk of the Group is measured by "standard method" and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Parent Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank as at 31 December 2018 and the previous five working days in full TRY are as follows:

	24.12.2018	25.12.2018	26.12.2018	27.12.2018	28.12.2018	31.12.2018
USD	5,2700000	5,2700000	5,2500000	5,2600000	5,2400000	5,2700000
CHF	5,3190000	5,3349000	5,2809000	5,3113000	5,3430000	5,3330000
GBP	6,6944000	6,6718000	6,6481000	6,6339000	6,6417000	6,7352000
JPY	0,0476143	0,0477547	0,0473864	0,0473653	0,0474549	0,0478372
EURO	6,0207000	5,9941000	5,9792000	5,9938000	6,0082000	6,0265000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2018 are as follows:

	Monthly average
USD	5,2942857
CHF	5,3310667
GBP	6,7011476
JPY	0,0471538
EURO	6,0263810

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.845.253	9.642.438	6.108.939	31.596.630
Banks	686.997	3.625.590	652.192	4.964.779
Financial assets at fair value through profit and loss ⁽³⁾	-	21.455	1.125	22.580
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income ⁽⁵⁾	840.657	608.569	695.394	2.144.620
Loans ⁽²⁾	47.357.714	41.774.693	2.872.554	92.004.961
Subsidiaries, associates and entities under common control ⁽⁵⁾	431.547	-	-	431.547
Financial assets measured at amortized cost	-	10.962.386	196.413	11.158.799
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	124.956	124.956
Intangible assets	-	-	-	-
Other assets ⁽³⁾	323.045	1.793.792	52.881	2.169.718
Total assets	65.485.213	68.428.923	10.704.454	144.618.590
Liabilities				
Bank deposits	8.688.941	5.570.330	783.313	15.042.584
Foreign currency deposits	47.083.052	44.091.737	6.853.596	98.028.385
Money market balances	-	5.402.273	-	5.402.273
Funds provided from other financial institutions	8.714.381	5.253.406	20.069	13.987.856
Bonds issued	-	12.024.839	-	12.024.839
Sundry creditors	171.769	190.235	24.425	386.429
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	403.101	588.912	118.298	1.110.311
Total liabilities	65.061.244	73.121.732	7.799.701	145.982.677
Net balance sheet position	423.969	(4.692.809)	2.904.753	(1.364.087)
Net off-balance sheet position	(385.913)	4.240.264	(1.838.600)	2.015.751
Financial derivative assets ⁽⁴⁾	1.504.108	10.029.426	966.638	12.500.172
Financial derivative liabilities ⁽⁴⁾	1.890.021	5.789.162	2.805.238	10.484.421
Non-cash loans ⁽¹⁾	23.171.689	21.031.521	2.481.487	46.684.697
Prior period				
Total assets	43.271.609	58.465.139	7.839.511	109.576.259
Total liabilities	43.859.517	61.136.255	5.270.971	110.266.743
Net balance sheet position	(587.908)	(2.671.116)	2.568.540	(690.484)
Net off-balance sheet position	223.198	2.534.947	(1.995.069)	763.076
Financial derivative assets	1.065.746	5.996.311	1.250.482	8.312.539
Financial derivative liabilities	842.548	3.461.364	3.245.551	7.549.463
Non-cash loans ⁽¹⁾	12.618.873	16.362.849	1.714.234	30.695.956

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 764.208 of foreign currency indexed loans and their accruals (31 December 2017: TRY 2.070.996).

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", foreign currency intangible assets TRY 34.313, prepaid expenses TRY 341 in assets; and shareholders' equity TRY 338.515 in liabilities and foreign currency minority shares TRY 5.276 are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 89.699. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.149.770. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Parent Bank. The Parent Bank's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the capital adequacy standard ratio.

The priority of the Parent Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Parent Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Parent Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency as per the authority extended by the Board of Directors.

The Parent Bank does not allow or limits interest rate mismatch and therefore, significant interest rate risk exposures are not expected.

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on re-pricing dates:

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	16.093.521	-	-	-	-	19.486.203	35.579.724
Banks	3.170.150	-	15.421	-	-	1.960.600	5.146.171
Financial assets at fair value through profit and loss	50.564	27.363	56.535	185	21.478	14.382.810	14.538.935
Money market placements	65.318	-	-	-	-	-	65.318
Financial assets at fair value through other comprehensive income	29.872	821.692	1.130.375	2.180.907	591.312	110.654	4.864.812
Loans	40.464.724	34.427.744	100.296.021	63.288.693	14.453.851	5.778.235	258.709.268
Financial assets measured at amortised cost	562.355	17.196.536	7.677.451	10.672.258	20.222.745	-	56.331.345
Other assets ^{(1) (2)}	952.046	828.385	185.299	41.429	1.328	10.977.616	12.986.103
Total assets	61.388.550	53.301.720	109.361.102	76.183.472	35.290.714	52.696.118	388.221.676
Liabilities							
Bank deposits	8.733.726	1.535.846	14.896	-	-	20.733.926	31.018.394
Other deposits	120.338.792	46.331.914	17.657.731	1.021.878	18.037	34.192.774	219.561.126
Money market balances	37.173.264	854.887	-	-	-	190.118	38.218.269
Sundry creditors	2.423.899	29.785	84.089	111.421	-	2.260.212	4.909.406
Bonds issued	1.492.975	1.956.694	2.495.116	10.208.711	-	192.717	16.346.213
Funds provided from other financial institutions ⁽³⁾	1.166.612	5.804.740	4.209.579	3.149.178	753.878	190.493	15.274.480
Other liabilities ⁽⁴⁾	1.150.250	22.679	1.774.367	14.529.699	6.870.185	38.546.608	62.893.788
Total liabilities	172.479.518	56.536.545	26.235.778	29.020.887	7.642.100	96.306.848	388.221.676
Balance sheet long position	-	-	83.125.324	47.162.585	27.648.614	-	157.936.523
Balance sheet short position	(111.090.968)	(3.234.825)	-	-	-	(43.610.730)	(157.936.523)
Off-balance sheet long position	1.131.188	1.413.449	4.506.341	1.139.324	3.208.897	13.021.620	24.420.819
Off-balance sheet short position	(745.075)	(1.049.773)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.977.856)
Total position	(110.704.855)	(2.871.149)	83.546.944	46.318.675	27.648.614	(43.495.266)	442.963

⁽¹⁾ TRY 98.345 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 455.760 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽³⁾ Funds provided from other financial institutions include borrowings.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	26.154.546	-	-	-	-	10.526.831	36.681.377
Banks and financial institutions	4.962.270	78.154	4.019	-	-	1.268.724	6.313.167
Financial assets at fair value through profit and loss	70.098	20.154	20.268	253	27	10.372.708	10.483.508
Money market placements	1.285.499	-	-	-	-	2.669	1.288.168
Financial assets available-for-sale	209.656	3.283.663	1.797.894	4.690.439	7.634.250	83.276	17.699.178
Loans	92.563.366	23.010.263	46.800.052	31.070.822	7.744.943	2.952.824	204.142.270
Held-to-maturity investments	378.421	8.694.535	1.541.221	4.447.720	6.925.202	-	21.987.099
Other assets ^{(1) (2)}	708.980	889.929	945.432	1.493.736	418.697	9.168.215	13.624.989
Total assets	126.332.836	35.976.698	51.108.886	41.702.970	22.723.119	34.375.247	312.219.756
Liabilities							
Bank deposits	13.061.761	2.079.237	212.098	1.094	-	3.860.508	19.214.698
Other deposits	98.554.760	33.932.876	14.099.653	785.744	9.584	26.673.306	174.055.923
Money market balances	33.735.853	1.216.309	2.938	3.603	-	44.619	35.003.322
Sundry creditors	1.815.820	3.003	50.894	123.013	-	1.865.628	3.858.358
Bonds issued	777.925	2.308.085	295.215	8.510.538	-	130.367	12.022.130
Funds provided from other financial institutions ⁽⁴⁾	1.696.625	6.003.694	8.775.415	2.366.544	1.088.283	127.923	20.058.484
Other liabilities ⁽³⁾	1.325.837	2.410.526	11.375.120	-	-	32.895.358	48.006.841
Total liabilities	150.968.581	47.953.730	34.811.333	11.790.536	1.097.867	65.597.709	312.219.756
Balance sheet long position	-	-	16.297.553	29.912.434	21.625.252	-	67.835.239
Balance sheet short position	(24.635.745)	(11.977.032)	-	-	-	(31.222.462)	(67.835.239)
Off-balance sheet long position	379.000	568.500	2.919.781	819.361	1.902.329	8.939.672	15.528.643
Off-balance sheet short position	-	(568.500)	(2.532.191)	(1.424.801)	(1.902.329)	(8.985.269)	(15.413.090)
Total position	(24.256.745)	(11.977.032)	16.685.143	29.306.994	21.625.252	(31.268.059)	115.553

⁽¹⁾ TRY 87.181 of deferred tax assets is disclosed under the non-bearing interest column in other assets and TRY 574.170 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ TRY 1.410.325 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	2,00	-	13,00
Banks	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	19,73
Money market placements	-	-	-	22,00
Financial assets at fair value through other comprehensive income	4,05	5,83	-	22,81
Loans ⁽²⁾	5,22	7,47	1,54	16,69
Financial assets measured at amortised cost	-	5,61	-	21,93
Liabilities				
Bank deposits	2,72	5,30	-	24,33
Other deposits ⁽⁴⁾	2,48	4,64	0,25	20,63
Money market borrowings	-	4,55	-	23,35
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	16,87
Funds provided from other financial institutions ⁽⁴⁾	1,37	3,17	1,40	21,95

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum deposits interest rate with a maturity of 12 months as of 31 December 2018.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2018.

⁽⁵⁾ Average interest rates for reserve requirements of the Central Bank.

Prior Period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	1,25	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,08	1,41	-	13,32
Financial assets at fair value through profit and loss	1,10	1,86	-	9,86
Money market placements	-	-	-	12,78
Available-for-sale financial assets	4,60	5,46	-	15,00
Loans ⁽²⁾	4,78	6,42	0,84	13,12
Held-to-maturity investments	2,50	5,89	-	18,33
Liabilities				
Bank deposits	1,59	4,24	0,10	10,67
Other deposits ⁽⁴⁾	1,68	3,50	0,25	12,02
Money market borrowings	-	2,43	-	12,75
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	13,10
Funds provided from other financial institutions	1,14	3,03	0,84	12,22

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum deposits interest rate with a maturity of 12 months as of 31 December 2017.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2017.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

2. The interest rate risk of the banking book items:

Standard interest rate shock methods are being used in respect of measuring the risk arising from re-pricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Parent Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and re-pricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of Parent Bank's demand deposits, average durations which are calculated by statistical analysis are being used:

Current Period

Currency	Applied Shock (+/- x base point)	Gains/Shareholders' Equity –Losses/ Shareholders' Equities	
		Gains/Losses	Equities
TRY	500	(4.147.592)	(11,17%)
	(400)	3.990.457	10,75%
EUR	200	610.795	1,64%
	(200)	(654.359)	(1,76%)
USD	200	(1.027.985)	(2,77%)
	(200)	1.493.270	4,02%
Total (For negative shocks)		4.829.368	13,01%
Total (For positive shocks)		(4.564.782)	(12,30%)

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period

Currency	Applied Shock (+/- x base point)	Gains/Losses	Gains/Shareholders' Equity –Losses/ Shareholders' Equities
TRY	500	(4.233.277)	(14,86%)
	(400)	4.242.774	14,89%
EUR	200	508.529	1,78%
	(200)	(410.052)	(1,44%)
USD	200	(652.368)	(2,29%)
	(200)	1.060.994	3,72%
Total (For negative shocks)		4.893.716	17,17%
Total (For positive shocks)		(4.377.116)	(15,37%)

V. EXPLANATIONS ON THE CONSOLIDATED POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Balance Sheet Value	Comparison		The Amount of Capital Requirement
		Fair Value Change	Market Value	
Stock investment excluding A,B,C,D group	515.868 ^(*)	415.829 ^(**)	-	91.113

^(*) Includes TRY 57.146 of unconsolidated subsidiary, TRY 449.370 of associates accounted for under the equity method and TRY 9.352 of unconsolidated associates.

^(**) The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 31 December 2018.

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Revaluation surplus in the fair value			Unrealized gains and losses		
	Realized gains (losses) in the current period	Total	Included in supplementary capital	Total	Included in total core capital	Included in supplementary capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-	-
3. Other share certificates	-	19.353	19.353	-	-	-
Total	-	19.353	19.353	-	-	-

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

To detect liquidity risk, the Parent Bank Liquidity Emergency Action Plan (LEAP) has been formed. Cash flow analysis methods include commission totals and tax totals, besides initial capital interest totals. The sections that are in the balance sheet are monitored by Risk Management Department Head and include the days until maturity which are canalized to the maturity bands that are predetermined; the liquidity availability are then detected and liquidity analysis performed. Thus, quantification of liquidity risk is established.

The Parent Bank's purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity gap analysis on the maturity remained day basis and projected ratios stated in "Liquidity Emergency Plan (LAEP)" are followed within the scope of liquidity risk measurement under this purpose. The Parent Bank's liquidity risk are digitized by daily follow-ups with first and second degree warnings for determined ratios relating to balance-sheet, liquidity deficit in all maturity gap and the Parent Bank's position against such ratios.

The upper limits of the Parent Bank consist of the following: max lending amount of TRY and FC category on all maturity in interbank OTC markets, the upper limit of repurchase and reverse repurchase transactions in TRY and FC category on all maturity in the interbank OTC markets, the maximum foreign exchange position limits that can be carried, and finally; the upper limit relating to forward and swap transactions is determined on the that the whole term of TRY and foreign currency denominated, forward and the upper limit relating to swap transactions is determined.

The extension of the maturity structure of term deposits reflects the primary funding source for the Parent Bank; the development of new products that encourage saving and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for issuing bonds based on Turkish Lira to provide long term funding resource for the purposes of extending maturity structure of liabilities besides deposits.

For the purposes of utilizing advantage of the new borrowing facilities in line with the needs of the bank, alternative fund resources in parallel with the close monitoring of price/cost movements in international capital markets and compliance with the conditions are evaluated.

The reduction of liquidity risk is provided by effective collateral management structure. The Parent Bank participates in the organized markets (CBRT, BIST and TAKASBANK). Debt upper limits and balance sheet size are determined under certain criteria by the relevant authorities. Existing limits available to use are continuously monitored with the cooperation of Treasury Management Middle Office and Treasury Operations Department though the Parent Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

Effects of macro size balance sheet changes or important changes of market data on bank liquidity; based on legal liquidity ratio and according to liquidity emergency action plan, analysis is made on the effects of the ratios that are being followed. Whether originated from the Parent Bank or the market, under the condition that the potential stress tests are applied, the legal and internal changes on liquidity ratio and their effects of bank liquidity is quantified.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Moreover, to analyze the withdrawal rates of time deposits, the core deposit analysis is performed relating to deposit items based on each currency type.

According to "Regulation for Banks' Liquidity Coverage Ratio Calculations" (the Regulation), Liquidity Coverage Ratio ("LCR"), aiming banks having the ability to cover net cash outflows with high quality liquid assets, is calculated by using high quality liquid assets divided by net cash outflows to be realized within 30 days. In both unconsolidated and consolidated basis, the legal minimum limits of the LCR ratio for the total and foreign currency should be 90% and 70% for 2018 respectively, and 100% and 80% in 2019 respectively.

In 2018, foreign currency and total liquidity coverage ratios on consolidated basis did not fall below the legal limits. The Parent Bank's cash inflows on the consolidated basis did not exceed 75% of cash outflows and high quality liquid assets are composed of 7,17% cash, 45,35% central banks, 46,62% securities considered as high quality liquid assets.

Consolidated funding source composition is composed of 71,91% deposits, 5,21% funds borrowed, 10,96% money market borrowings, 4,69% securities issued and 1,77% subordinated debt instruments. As in the previous period, derivative transactions did not generate a net cash outflow that would negatively affect the liquidity position.

The cash outflows from derivative financial instruments and other liabilities are calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, is TRY 1.470.488.

The Parent Bank does not have any operational or legal restrictions on liquidity transfer of subsidiaries. Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

Liquidity ratios and its daily changes monitored under calculated "Liquidity Coverage Ratio" and "Liquidity Emergency Action Plan" within the scope of the Regulation on "Banks' Liquidity Coverage Ratio Calculation" prepared by BRSA and then they are notified to the Parent Bank Audit Committee and the Asset-Liability Committee regularly.

Throughout the current period, Group's Liquidity Coverage Ratio's lowest and highest values and the weeks these values are monitored are given in the table below:

Liquidity Minimum-Maximum

Liquidity Coverage Ratio

	FC		TRY+FC	
	Related Month	(%)	Related Month	(%)
Maximum	24.12.2018	189,78	24.12.2018	145,90
	30.12.2018		30.12.2018	
Minimum	01.10.2018	125,38	01.10.2018	84,82
	07.10.2018		07.10.2018	

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			53.741.958	26.678.480
Cash Outflows				
Retail and Small Business Customers, of which;	117.269.450	44.798.170	10.455.442	4.479.817
Stable Deposits	25.430.060	-	1.271.503	-
Less Stable Deposits	91.839.390	44.798.170	9.183.939	4.479.817
Unsecured wholesale funding , of which;	102.988.536	45.361.867	42.324.808	19.856.835
Operational Deposits	35.321.672	10.662.628	8.830.418	2.665.657
Non-operational Deposits	62.158.485	31.683.085	28.644.497	14.650.858
Other Unsecured Funding	5.508.379	3.016.154	4.849.893	2.540.320
Secured Funding			-	-
Other cash outflows, of which;	8.025.355	4.873.951	3.868.181	2.600.740
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	330.890	723.519	330.890	723.519
Obligations related to structured financial products	58.314	-	58.314	-
Commitments related to debts to financial markets and other off- balance sheet obligations	7.636.151	4.150.432	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations.	91.205	-	91.205	-
Other irrevocable or conditionally revocable off-balance sheet				
Obligations	99.572.967	42.704.063	7.900.145	3.477.943
Total Cash Outflows			64.639.781	30.415.335
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	26.146.432	11.739.757	18.447.182	9.836.588
Other Cash Inflows	164.036	2.013.894	164.036	2.013.894
Total Cash Inflows	26.310.468	13.753.651	18.611.218	11.850.482
			Total Adjusted Value	
Total HQLA Stock			53.741.958	26.678.480
Total Net Cash Outflows			46.028.563	18.564.853
Liquidity Coverage Ratio (%)			116,85%	144,62%

⁽¹⁾Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			41.538.443	27.288.632
Cash Outflows				
Retail and Small Business Customers, of which;	89.583.117	31.827.153	7.824.424	3.182.715
Stable Deposits	22.677.760	-	1.133.888	-
Less Stable Deposits	66.905.357	31.827.153	6.690.536	3.182.715
Unsecured wholesale funding , of which;	80.572.284	39.354.420	45.103.830	23.098.605
Operational Deposits	1.475.503	25.764	368.876	6.441
Non-operational Deposits	70.160.212	34.173.507	37.427.882	19.355.493
Other Unsecured Funding	8.936.570	5.155.150	7.307.072	3.736.671
Secured Funding			-	-
Other cash outflows, of which;	5.608.065	3.687.070	2.673.873	2.164.857
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	230.559	918.474	230.559	918.474
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	5.377.506	2.768.596	2.443.314	1.246.383
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	77.397.763	28.958.391	5.990.250	2.309.291
Total Cash Outflows			61.592.377	30.755.469
Cash Inflows				
Secured Lending	585	-	-	-
Unsecured Lending	29.527.022	14.311.864	22.340.233	12.953.281
Other Cash Inflows	-	-	-	-
Total Cash Inflows	29.527.607	14.311.864	22.340.233	12.953.281
			Total Adjusted Value	
Total HQLA Stock			41.538.443	27.288.632
Total Net Cash Outflows			39.252.144	17.802.188
Liquidity Coverage Ratio (%)			106,23%	155,86%

⁽¹⁾ Calculated by simple arithmetic average, monthly consolidated average calculated for the last three months of the liquidity coverage ratio, also calculated weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

1. Presentation of assets and liabilities according to their remaining maturities:

The Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	4.913.432	30.539.012	-	127.280	-	-	-	35.579.724
Banks	2.227.278	2.901.127	2.030	15.698	38	-	-	5.146.171
Financial assets at fair value through profit and loss	6.150	51.645	-	14.430.915	27.548	21.478	1.199	14.538.935
Receivables from Money market	-	65.318	-	-	-	-	-	65.318
Financial assets at fair value through other comprehensive income	-	29.691	208.075	1.029.196	3.011.915	448.262	137.673	4.864.812
Loans	3.160.268	15.139.374	15.195.175	77.568.360	113.386.136	34.259.955	-	258.709.268
Financial assets measured at amortised cost	-	237.583	939.604	3.057.035	23.588.433	28.508.690	-	56.331.345
Other assets ⁽²⁾	245.776	598.979	1.294.999	530.993	591.977	30.996	9.692.383	12.986.103
Total assets	10.552.904	49.562.729	17.639.883	96.759.477	140.606.047	63.269.381	9.831.255	388.221.676
Liabilities								
Bank deposits	20.673.730	8.787.811	1.541.557	15.296	-	-	-	31.018.394
Other deposits	32.418.383	121.358.239	46.774.591	17.962.662	1.028.477	18.774	-	219.561.126
Funds provided from other financial institutions ⁽³⁾	36	985.835	1.801.634	3.909.489	5.748.994	2.828.492	-	15.274.480
Money market balances	-	35.227.160	340.631	-	2.123.478	527.000	-	38.218.269
Bonds issued	-	1.682.721	2.026.971	2.427.811	10.208.710	-	-	16.346.213
Sundry creditors	60.916	2.031.399	156.447	621.877	1.741.425	5.414	291.928	4.909.406
Other liabilities ⁽¹⁾	1.233.469	5.059.528	329.709	16.701.361	311.817	8.190.626	31.067.278	62.893.788
Total liabilities	54.386.534	175.132.693	52.971.540	41.638.496	21.162.901	11.570.306	31.359.206	388.221.676
Liquidity gap	(43.833.630)	(125.569.964)	(35.331.657)	55.120.981	119.443.146	51.699.075	(21.527.951)	-
Net off balance sheet position	(291)	44.055	(118.416)	(8.676)	526.291	-	-	442.963
Derivative financial assets	98.324	8.307.418	1.331.178	4.617.257	3.648.848	6.417.794	-	24.420.819
Derivative financial liabilities	(98.615)	(8.263.363)	(1.449.594)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.977.856)
Non-cash loans	2.434.918	3.388.326	6.216.271	29.870.469	16.520.370	25.239.621	-	83.669.975
Prior Period								
Total Assets	5.976.920	53.989.072	14.969.679	74.950.291	106.647.425	48.029.463	7.656.906	312.219.756
Total Liabilities	29.918.047	151.990.459	43.075.481	38.584.436	16.026.374	5.964.981	26.659.978	312.219.756
Liquidity Gap	(23.941.127)	(98.001.387)	(28.105.802)	36.365.855	90.621.051	42.064.482	(19.003.072)	-
Net off balance sheet position	-	(30.015)	(18.941)	11.949	152.560	-	-	115.553
Derivative financial assets	-	5.319.725	1.400.784	2.606.753	2.396.724	3.804.657	-	15.528.643
Derivative financial liabilities	-	(5.349.740)	(1.419.725)	(2.594.804)	(2.244.164)	(3.804.657)	-	(15.413.090)
Non-cash loans	19.713.335	2.090.829	4.541.264	18.634.374	12.409.276	1.098.547	300.033	58.787.658

⁽¹⁾ Shareholders' equity is disclosed in other liabilities line under the undistributed column.

⁽²⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets are disclosed in other assets under the undistributed column.

⁽³⁾ Funds provided from other financial institutions include borrowings.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	182.643.839	49.115.829	19.099.012	1.146.346	19.202	(1.444.708)	250.579.520
Funds provided from other financial intuitions	986.565	1.827.056	4.041.735	6.160.067	3.206.289	(947.232)	15.274.480
Money market borrowings	35.305.672	348.648	108.059	2.292.146	703.800	(540.056)	38.218.269
Securities issued	1.691.031	1.915.256	3.073.272	11.429.907	-	(1.763.253)	16.346.213
Funds	178.780	4.497	118.765	311.297	2.260.831	(49)	2.874.121
Total	220.805.887	53.211.286	26.440.843	21.339.763	6.190.122	(4.695.298)	323.292.603

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	138.695.766	38.658.365	14.982.260	931.101	18.141	(15.012)	193.270.621
Funds provided from other financial intuitions	1.576.388	2.915.231	8.374.854	5.232.948	2.621.216	(662.153)	20.058.484
Money market borrowings	33.612.342	1.410.455	-	-	-	(19.475)	35.003.322
Securities issued	829.636	2.347.213	340.952	9.247.008	-	(742.679)	12.022.130
Funds	92.303	13.766	127.641	274.391	2.246.745	(30.212)	2.724.634
Total	174.806.435	45.345.030	23.825.707	15.685.448	4.886.102	(1.469.531)	263.079.191

⁽¹⁾Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

Analysis of Group's derivative financial instruments according to their remaining maturities:

Current Period⁽¹⁾	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.605.673	870.825	952.254	-	-	5.428.752
Forward Contracts - Sell	1.731.132	652.669	850.428	-	-	3.234.229
Swaps - Buy	5.474.414	447.174	1.003.129	1.370.200	-	8.294.917
Swaps - Sell	5.469.755	558.552	1.113.630	843.910	-	7.985.847
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	89.699	-	-	-	-	89.699
Forward Precious Metal - Sell	1.925.522	224.248	-	-	-	2.149.770
Money Buy Options	218.558	49.200	2.661.875	-	-	2.929.633
Money Sell Options	218.538	49.200	2.661.875	-	-	2.929.613
Swaps Interest - Buy	-	-	-	2.278.648	6.417.794	8.696.442
Swaps Interest - Sell	-	-	-	2.278.648	6.417.794	8.696.442
Total	18.733.291	2.851.868	9.243.191	6.771.406	12.835.588	50.435.344

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.036.669.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period ⁽¹⁾	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.342.111	1.450.171	1.521.700	-	-	6.313.982
Forward Contracts – Sell	1.501.823	661.607	1.518.340	-	-	3.681.770
Swaps – Buy	2.085.148	30.824	387.590	758.000	-	3.261.562
Swaps – Sell	2.083.245	29.584	379.000	605.440	-	3.097.269
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal – Buy	24.982	-	-	-	-	24.982
Forward Precious Metal – Sell	1.896.450	808.986	-	-	-	2.705.436
Money Buy Options	239.927	2.822	697.462	-	-	940.211
Money Sell Options	239.926	2.822	697.462	-	-	940.210
Swaps Interest – Buy	-	-	-	1.638.724	3.804.657	5.443.381
Swaps Interest – Sell	-	-	-	1.638.724	3.804.657	5.443.381
Total	11.413.612	2.986.816	5.201.554	4.640.888	7.609.314	31.852.184

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 910.451.**VII. EXPLANATIONS ON THE CONSOLIDATED LEVERAGE RATIO**

Leverage ratio calculated according to the article "Regulation Regarding the Measurement and Evaluation of Banks' Leverage Level" published in the Official Gazette No. 28812 dated 5 November 2013 is as follows.

	Current Period ⁽²⁾
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	357.516.919
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ^{(1) (2)}	687.244
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments ⁽²⁾	21.772.910
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments ⁽²⁾	5.371.062
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items ⁽²⁾	1.438.564
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-
Total Risk Amount	494.815.162

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

383

	Prior Period ⁽²⁾
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	270.533.226
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ^{(1) (2)}	(1.145.283)
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments ⁽²⁾	17.716.168
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments ⁽²⁾	3.364.403
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items ⁽²⁾	797.772
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-
Total Risk Amount	393.862.493

⁽¹⁾ The amounts are represented in the table as of 31 December 2017 and 30 June 2018.

⁽²⁾ The amounts in the table represent three-month averages.

	Current Period ⁽¹⁾
On-Balance Sheet Items	
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	383.368.941
2. Assets that are deducted from core capital	(250.620)
3. Total on balance sheet exposures	383.118.321
Derivative exposures and credit derivatives	
4. Replacement cost associated with derivative financial instruments and credit derivatives	1.063.489
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	303.383
6. The total amount of risk on derivative financial instruments and credit derivatives	1.366.872
Investment securities or commodity collateral financing transactions	
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.370.392
8. Risk amount of exchange brokerage operations	-
9. Total risks related with securities or commodity financing transactions	1.370.392
Off -Balance Sheet Items	
10. Gross notional amount of off-balance sheet items	110.398.141
11. Adjustments for conversion to credit equivalent amounts	(1.438.564)
12. The total risk of off-balance sheet items	108.959.577
Capital and Total Exposures	
13. Tier 1 Capital	28.740.329
14. Total Exposures	494.815.162
Leverage Ratio	
15. Leverage Ratio	5,81

⁽¹⁾ The amounts in the table represent three-month average.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period ⁽¹⁾
On-Balance Sheet Items	
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	306.253.039
2. Assets that are deducted from core capital	(169.958)
3. Total on balance sheet exposures	306.083.081
Derivative exposures and credit derivatives	
4. Replacement cost associated with derivative financial instruments and credit derivatives	456.562
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	236.834
6. The total amount of risk on derivative financial instruments and credit derivatives	693.396
Investment securities or commodity collateral financing transactions	
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.268.407
8. Risk amount of exchange brokerage operations	-
9. Total risks related with securities or commodity financing transactions	1.268.407
Off -Balance Sheet Items	
10. Gross notional amount of off-balance sheet items	86.615.381
11. Adjustments for conversion to credit equivalent amounts	(797.772)
12. The total risk of off-balance sheet items	85.817.609
Capital and Total Exposures	
13. Tier 1 Capital	24.625.572
14. Total Exposures	393.862.493
Leverage Ratio	
15. Leverage Ratio	6,25

⁽¹⁾ The amounts in the table represent three-month average.**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED BUSINESS SEGMENTATION**

The Group's operations are grouped under the corporate, commercial, integrated banking and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Parent Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SMEs) as well as individual consumers. In this context, the Bank has no restrictions on the area in which it operates.

The Parent Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real persons without having any commercial or professional purposes other than their individual demands in the Parent Bank's application.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided by the Parent Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money market transactions,
- Rendering insurance agency transactions and individual pension services,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement organised by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments in the secondary market for the purpose of performing intermediary services,
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a custodian in order to keep client's assets related to individual portfolio management of portfolio management companies,
- Acting as a portfolio management agency.

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2018 are presented in the table below.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period (1 January – 31 December 2018)	Corporate	Commercial	Integrated	Treasury / Investment⁽¹⁾	Other⁽³⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	3.690.929	5.295.797	20.166.245	7.788.094	676.610	37.617.675
Interest on loans	3.690.247	5.295.359	19.700.018	309.185	-	28.994.809
Interest income on marketable securities	-	-	441.185	6.633.254	77.108	7.151.547
Interest received from banks	-	-	6	666.599	-	666.605
Other interest income	682	438	25.036	179.056	599.502	804.714
Interest expense	2.028.814	1.384.517	15.455.276	9.430.905	375.251	28.674.763
Interest on deposits	2.025.045	1.347.387	15.110.679	1.809.122	6.102	20.298.335
Interest on borrowings	669	8.863	41.519	434.855	283.298	769.204
Interest on money market borrowings	-	-	184.063	5.596.092	15.395	5.795.550
Interest on marketable bonds issued	-	-	-	1.491.114	64.089	1.555.203
Other interest expense ⁽²⁾	3.100	28.267	119.015	99.722	6.367	256.471
Net interest income	1.662.115	3.911.280	4.710.969	(1.642.811)	301.359	8.942.912
Net fees and commissions income / (expenses)	361.880	330.610	979.116	415.222	(182.465)	1.904.363
Net trading profit / (loss) (Net)	3.364	11.664	1.024.491	(840.192)	32.156	231.483
Dividend income	-	-	-	12.788	389	13.177
Other income	38.566	113.606	318.097	503.147	1.565.301	2.538.717
Loans and other receivables' impairment loss	455.554	606.701	1.119.258	1.005.011	233.992	3.420.516
Other expenses	37.572	83.292	2.119.558	3.646.282	1.277.647	7.164.351
Income before taxes	1.572.799	3.677.167	3.793.857	(6.203.139)	205.101	3.045.785
Income tax provision	-	-	-	(218.543)	(146.150)	(364.693)
Net profit for the period	1.572.799	3.677.167	3.793.857	(6.421.682)	58.951	2.681.092
SEGMENT ASSETS (31 December 2018)						
Marketable securities	-	-	8.756.221	66.710.462	268.409	75.735.092
Derivative financial assets	-	-	102.003	960.078	-	1.062.081
Banks and money market receivables	-	-	2.088	5.208.415	986	5.211.489
Associates and subsidiaries (net)	-	-	-	515.868	-	515.868
Loans	42.635.500	51.605.358	152.062.318	7.973.928	4.432.164	258.709.268
Other assets ⁽¹⁾	87.096	659.517	2.793.595	41.931.320	1.516.350	46.987.878
TOTAL ASSETS	42.722.596	52.264.875	163.716.225	123.300.071	6.217.909	388.221.676
SEGMENT LIABILITIES (31 December 2018)						
Deposits	54.776.436	26.420.864	141.103.733	28.278.487	-	250.579.520
Derivative financial liabilities	-	-	53.332	357.007	-	410.339
Money market balances	-	-	5.402.273	32.759.788	56.208	38.218.269
Loans	18.183	375.649	1.114.372	11.401.579	2.364.697	15.274.480
Marketable Securities issued	-	-	-	14.883.998	1.462.215	16.346.213
Other liabilities	702.546	481.589	7.070.252	23.963.880	273.130	32.491.397
Provisions and tax payable	114.122	131.949	288.821	2.489.232	2.336.094	5.360.218
Shareholders' equity	1.298.084	3.650.485	3.392.443	19.638.194	1.562.034	29.541.240
TOTAL LIABILITIES	56.909.371	31.060.536	158.425.226	133.772.165	8.054.378	388.221.676
OFF BALANCE SHEET ITEMS (31 December 2018)	23.587.269	23.756.626	44.934.571	67.512.875	119.546	159.910.887
Guarantees and surety ships	23.509.936	22.867.737	23.260.633	14.031.669	-	83.669.975
Commitments	77.333	888.889	9.648.799	17.107.670	119.546	27.842.237
Derivative financial instruments	-	-	12.025.139	36.373.536	-	48.398.675

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D. Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 4.639.886 (net), deferred tax assets amounting TRY 98.345 is presented under the other column.

⁽²⁾ Funds transfer pricing was distributed in other interest income and other interest expense

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2017 are presented in the table below.

Prior Period (1 January – 31 December 2017)	Corporate	Commercial	SME / Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	2.140.662	3.272.456	13.414.498	4.430.253	407.200	23.665.069
Interest on loans	2.138.905	3.271.343	13.148.169	502.421	-	19.060.838
Interest income on marketable securities	-	-	254.258	3.469.735	41.539	3.765.532
Interest received from banks	-	-	1	256.784	(84)	256.701
Other interest income ⁽²⁾	1.757	1.113	12.070	201.313	365.745	581.998
Interest expense	1.448.879	726.547	8.274.963	4.680.531	177.857	15.308.777
Interest on deposits	1.448.080	695.437	8.085.971	856.369	-	11.085.857
Interest on borrowings	661	6.907	27.289	359.802	145.626	540.285
Interest on money market borrowings	-	-	77.608	2.634.468	7.735	2.719.811
Interest on marketable bonds issued	-	-	-	822.173	23.362	845.535
Other interest expense ⁽²⁾	138	24.203	84.095	7.719	1.134	117.289
Net interest income	691.783	2.545.909	5.139.535	(250.278)	229.343	8.356.292
Net fees and commissions income / (expenses)	245.201	431.532	1.089.806	351.066	(196.471)	1.921.134
Net trading profit / (loss)	710	5.172	244.722	(200.270)	28.291	78.625
Dividend income	-	-	-	11.317	322	11.639
Other income	42.811	74.615	358.812	273.187	1.428.669	2.178.094
Loans and other receivables' impairment loss	17.973	443.525	581.533	462.840	-	1.505.871
Other expenses	30.307	69.703	1.822.805	2.788.638	1.174.750	5.886.203
Income before taxes	932.225	2.544.000	4.428.537	(3.066.456)	315.404	5.153.710
Income tax provision	-	-	-	(996.443)	(106.543)	(1.102.986)
Net profit for the period	932.225	2.544.000	4.428.537	(4.062.899)	208.861	4.050.724
SEGMENT ASSETS (31 December 2017)						
Marketable securities	-	-	5.489.437	44.036.225	281.607	49.807.269
Derivative financial assets held for trading	-	-	79.852	282.664	-	362.516
Banks and money market receivables	-	-	289	7.594.793	6.253	7.601.335
Associates and subsidiaries (net)	-	-	-	405.316	-	405.316
Loans	29.738.256	41.267.495	127.277.838	7.269.006	-	205.552.595
Other assets ⁽¹⁾	90.690	264.257	1.885.260	41.804.276	4,446.242	48,490.725
TOTAL ASSETS	29.828.946	41.531.752	134.732.676	101.392.280	4.734.102	312.219.756
SEGMENT LIABILITIES (31 December 2017)						
Deposits	27.081.876	16.011.238	136.068.623	14.108.884	-	193.270.621
Derivative financial liabilities held for trading	-	-	46.160	104.509	4	150.673
Money market balances	-	-	4,140.748	30,822.778	39.796	35,003.322
Borrowing funding loans	9,973	233.252	954.275	16,550.464	2,310.520	20,058.484
Bonds issued	-	-	-	11,727.130	295.000	12,022.130
Other liabilities	286.437	379.543	6,336.640	12,356.196	235.239	19,594.055
Provisions and tax payable	57.741	88.335	252.213	4,308.512	1,884.981	6,591.782
Shareholders' equity	767.670	2,565.774	4,065.401	16,797.501	1,332.343	25,528.689
TOTAL LIABILITIES	28.203.697	19.278.142	151.864.060	106.775.974	6.097.883	312.219.756
OFF BALANCE SHEET ITEMS (31 December 2017)						
Guarantees and surety ships	15,446.074	13,990.756	17,241.640	12,109.188	-	58,787.658
Commitments	63.996	878.037	10,134.667	14,002.992	34.502	25,114.194
Derivative financial instruments	-	-	6,914.990	24,026.071	672	30,941.733

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D. Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 3,751.600 (net), deferred tax assets amounting TRY 94.043 is presented under the other column.

⁽²⁾ Funds transfer pricing was distributed in other interest income and other interest expense.

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IX. EXPLANATIONS ON PRESENTATION OF THE CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value	Fair Value
	Current Period	Current Period
Financial Assets	360.427.511	346.870.595
Cash and Balances with the Central Bank of Turkey	35.579.724	35.579.724
Financial assets at fair value through P&L ^{(3) (4)}	97.151	97.151
Banks	5.146.171	5.145.043
Money market placements	65.318	65.318
Financial assets at Fair Value through OCI ⁽¹⁾	4.754.158	4.878.942
Financial assets measured at amortised cost	56.331.345	50.372.897
Loans ⁽²⁾	254.147.852	246.425.728
Receivables from leasing transactions	2.913.193	2.913.193
Factoring receivables	1.392.599	1.392.599
Financial Liabilities	325.738.312	332.195.793
Deposits	250.579.520	252.283.543
Derivative financial liabilities held for trading	410.339	410.339
Funds provided from other financial intuitions	15.274.480	15.621.467
Money market borrowings	38.218.269	38.384.847
Securities issued	16.346.213	20.676.357
Miscellaneous payables	4.909.406	4.819.155
Lease payables	85	85

⁽¹⁾ As of 31 December 2018, TRY 110.654 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above.⁽²⁾ Net of follow-up loans has not been included in the table above.⁽³⁾ As of 31 December 2018, marketable securities amounting to TRY 66.205 that are valued by internal rate of return, are not included in financial assets held for trading purpose.⁽⁴⁾ Securities lending transactions amounting to TRY 14.374.380 is not included in the financial assets at fair value through P&L.

	Book Value	Fair Value
	Prior Period	Prior Period
Financial Assets	292.387.846	304.642.951
Cash and Balances with the Central Bank of Turkey	36.681.377	36.681.377
Financial assets at fair value through P&L ^{(3) (4)}	472.501	472.501
Banks	6.313.167	6.737.620
Money market placements	1.288.168	1.288.168
Available for sale financial assets ⁽¹⁾	17.620.079	17.683.863
Held to maturity investments	21.987.099	21.483.366
Loans ⁽²⁾	204.142.270	216.412.871
Receivables from leasing transactions	2.671.253	2.671.253
Factoring receivables	1.211.932	1.211.932
Financial Liabilities	264.363.588	264.510.104
Deposits	193.270.621	193.566.995
Derivative financial liabilities held for trading	150.673	150.673
Funds provided from other financial intuitions	20.058.484	21.126.639
Money market borrowings	35.003.322	34.966.894
Securities issued	12.022.130	10.811.949
Miscellaneous payables	3.858.358	3.886.954

⁽¹⁾ As of 31 December 2017, TRY 79.099 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above.⁽²⁾ Net of follow-up loans has not been included in the table above.⁽³⁾ As of 31 December 2017, marketable securities amounting to TRY 10.578 that are valued by internal rate of return, are not included in financial assets held for trading purpose.⁽⁴⁾ Securities lending transactions amounting to TRY 10.000.429 is not included in the financial assets at fair value through P&L.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined at fair value, when the market prices are not available, quoted market prices of other marketable securities which are amortised with the same terms of interest maturity and other similar conditions are used.
- ii- The prevailing interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

Classification of Fair Value Measurement

IFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

Current Period

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets at fair value through P&L ⁽³⁾	98.350	1.062.081	-	1.160.431
Debt securities	62.557	-	-	62.557
Derivative financial assets	-	1.062.081	-	1.062.081
Stocks	1.199	-	-	1.199
Other Securities ⁽²⁾	34.594	-	-	34.594
Financial assets at fair value through OCI ⁽¹⁾	4.754.158	-	-	4.754.158
Debt securities	4.638.062	-	-	4.638.062
Other Securities	116.096	-	-	116.096
Subsidiaries	-	-	57.146	57.146
Association	-	-	458.722	458.722
Total Financial Assets	4.852.508	1.062.081	515.868	6.430.457
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities	-	410.339	-	410.339
Total Financial Liabilities	-	410.339	-	410.339

⁽¹⁾ As of 31 December 2018, share certificates amounting to TRY 110.654 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

⁽²⁾ As of 31 December 2018, marketable securities amounting to TRY 66.205 that are not valued at fair value, are not included in financial assets held for trading purpose.

⁽³⁾ Securities lending transactions amounting to TRY 14.374.380 is not included in the financial assets at fair value through P&L.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽³⁾	109.985	362.516	-	472.501
<i>Debt securities</i>	94.898	-	-	94.898
<i>Derivative financial assets held for trading purpose</i>	-	362.516	-	362.516
<i>Stocks</i>	1.240	-	-	1.240
<i>Other Securities(2)</i>	13.847	-	-	13.847
Available-for-sale financial assets ⁽¹⁾	17.620.079	-	-	17.620.079
<i>Debt securities</i>	17.620.079	-	-	17.620.079
<i>Other Securities</i>	-	-	-	-
Subsidiaries	-	-	52.178	52.178
Association	-	-	353.138	353.138
Total Financial Assets	17.730.064	362.516	405.316	18.497.896
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	150.673	-	150.673
Total Financial Liabilities	-	150.673	-	150.673

⁽¹⁾ As of 31 December 2017, share certificates amounting to TRY 79.099 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

⁽²⁾ As of 31 December 2017, marketable securities amounting to TRY 10.578 that are not valued at fair value, are not included in financial assets held for trading purpose.

⁽³⁾ Securities lending transactions amounting to TRY 10.000.429 is not included in the financial assets at fair value through P&L.

The movement of financial assets in the third level are as follows:

	Current Period
Balance at the beginning of the period	405.316
Purchases during the year	375
Non-paid up shares	9.032
Valuation Difference	101.145
Transfers	-
Period End Balance	515.868
	Prior Period
Balance at the beginning of the period	333.664
Purchases during the year	-
Non-paid up shares	-
Valuation Difference	71.652
Transfers	-
Period End Balance	405.316

X. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

The Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services. The Bank does not engage in fiduciary transactions.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

XI. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Explanations Related To Risk Management

The Parent Bank's business model creates a comprehensive risk profile that includes all units of the Bank. Credit risk is a key component of the risk profile. The Parent Bank effectively implements risk management policies and procedures for loan and other risks which is determined within the framework of risk capacity and appetite and approved by board of directors. Risk appetite and capacity, which are directly related to the Parent Bank's strategic objectives, are limited by legal rates therefore the Bank associated with them.

Regarding the risk management structure; The Internal Audit Department, Internal Control Department and Risk Management Department, which are units within the scope of internal systems, carry out their activities in accordance with the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process published in the Official Gazette No. 29057 dated 11 June 2014 and subject to the Board of Directors through the Audit Committee. The Financial Crimes Investigation Board (MASAK) Compliance Unit is directly affiliated to the Audit Committee. The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Parent Bank is exposed in relation to its duties.

The Parent Bank is using information technologies and training documents openly and effectively for the dissemination and application of risk culture, and the development of bank staff is supported in line with this goal with face to face learning and e-learning. In addition, all personnel are regularly informed and aware of the risks that the Parent Bank is exposed to.

Risk measurement systems are based on accepted risk models and workflows for the identification, monitoring and reporting of risks in accordance with legislation. Methods and software that are in line with international standards are used for risk groups such as credit, market, operational and counterparty credit risk etc.

Within the scope of risk management activities, regular reporting and presentations are made by related units to the board of directors, asset-liability and audit committees and to the other committees, in order to manage the risks that the Parent Bank is exposed to more effectively, to support the decision making processes related to them, to create new strategies and policies.

The Parent Bank reports to the BRSA by applying the stress tests determined in accordance with the Internal Capital Adequacy Assessment Process (ISEDES). In addition, stress tests are carried out in line with the scenarios created by the risks exposed and the macroeconomic conditions. This test which is made by applying shocks for various risk factors, shows the results on risk weighted assets, own funds and capital adequacy ratio.

The Parent Bank monitors its effectiveness by closely monitoring the processes of managing and reducing the risks arising from the business model. The Parent Bank regularly revises the strategies it has established regarding these processes in line with the existing conditions and sets policies.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Overview of RWA^(*) :

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	252.966.471	187.858.563	20.237.318
2	Standardized approach (SA)	252.966.471	187.858.563	20.237.318
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	3.625.642	1.948.749	290.051
5	Standardized approach for counterparty credit risk (SA-CCR)	3.625.642	1.948.749	290.051
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach ^(*)	-	-	-
10	Investments made in collective investment companies – %1250 weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	3.869.238	3.629.588	309.539
17	Standardized approach (SA)	3.869.238	3.629.588	309.539
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	18.548.003	14.724.338	1.483.840
20	Basic Indicator Approach	18.548.003	14.724.338	1.483.840
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.123.427	867.044	89.874
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	280.132.781	209.028.282	22.410.622

*Credit risk standard approach also includes the amounts which below discount threshold.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Differences and Matching Between Asset and Liabilities' Carrying Values in Financial Statements and In Capital Adequacy Calculation:

	Carrying values of items in accordance with Turkish Accounting Standards						Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Carrying values for legal consolidation prepared as per TAS	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	
Assets							
Cash and Balances with the Central Bank	-	35.575.612	35.575.612	-	-	-	-
Derivative Financial Assets	-	1.062.081	1.062.081	-	-	1.062.081	-
Financial assets at fair value through profit and loss	-	14.538.935	-	67.601	-	96.954	14.374.380
Banks	-	5.144.513	5.144.513	-	-	-	-
Receivables from Money markets	-	65.318	65.318	-	-	-	-
Financial Assets at Fair Value Through OCI (net)	-	4.864.293	-	-	-	4.864.293	-
Loans	-	254.277.104	254.267.132	-	-	-	9.972
Receivables from factoring	-	1.381.520	1.381.520	-	-	-	-
Financial Assets Measured at Amortised Cost (net)	-	56.323.775	56.323.775	-	-	-	-
Subsidiaries (net)	-	458.722	458.722	-	-	-	-
Associates (net)	-	57.146	57.146	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-	-
Finance lease receivables	-	3.050.644	3.050.644	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Tangible Assets (net)	-	4.639.886	4.560.979	-	-	-	78.907
Intangible Assets (net)	-	183.411	-	-	-	-	183.411
Real estate for investment purpose (net)	-	973.401	973.401	-	-	-	-
Tax asset	-	124.388	124.388	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	9.593	9.593	-	-	-	-
Other assets	-	5.491.334	5.490.133	-	-	1.201	-
Total Assets	-	388.221.676	368.544.957	67.601	-	6.024.529	14.646.670
Liabilities							
Deposits	-	250.579.520	-	-	-	-	250.579.520
Derivative financial liabilities	-	410.339	-	-	-	410.339	-
Loans	-	15.274.480	-	-	-	-	15.274.480
Money market borrowings	-	38.218.269	-	7.571.439	-	320.999	30.325.831
Securities issued	-	16.346.213	-	-	-	-	16.346.213
Funds	-	2.874.121	-	-	-	-	2.874.121
Miscellaneous payables	-	-	-	-	-	-	-
Other liabilities	-	23.430.660	-	-	-	885	23.429.775
Factoring payables	-	2.417	-	-	-	-	2.417
Finance lease payables	-	85	-	-	-	-	85
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Provisions	-	4.166.786	-	-	-	-	4.166.786
Tax Liability	-	1.193.432	-	-	-	-	1.193.432
Liabilities regarding assets held for sale and discontinued operations (net)	-	2.030	-	-	-	-	2.030
Subordinated Debt	-	6.182.084	-	-	-	-	6.182.084
Shareholders' equity	-	29.541.240	-	-	-	-	29.541.240
Total Liabilities	-	388.221.676	-	7.571.439	-	732.223	379.918.014

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:

	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	388.221.676	368.544.957	-	67.601	6.024.529
2 Liabilities carrying value amount under regulatory scope of consolidation	388.221.676	-	-	7.571.439	732.223
3 Total net amount under regulatory scope of consolidation	-	368.544.957	-	7.639.040	6.756.752
4 Off-balance Sheet Amounts	113.117.374	58.768.532	310.564*	50.435.344	
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
9 Differences due to risk reduction	-	427.313.489	-	7.949.604	57.192.096

*Shows total potential credit risk amounts caused by derivative transactions.

Explanations of differences between accounting and regulatory exposure amounts:

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

Explanations Related to Counterparty Credit Risk

The Bank provides the necessary definitions and classifications for the CCR that take into account the clearing and pre-clearing risk in relation to the management policies and procedures of the CCR, thereby managing these risks on a counterparty basis and across the bank.

The impact of the new products and activities on the Bank's CCR level is assessed and these evaluations are included in the product / activity approval process.

The market, liquidity, compliance risk and operational risk that may be associated with the CCR are taken into account and the general / specific limit levels of the Bank's transactions to the CCR are determined. These limits established within the framework of the CCR are regularly monitored. The Bank uses risk mitigation techniques to the extent that it is appropriate, through applications such as margin taking and margin fulfillment.

The Bank uses methods and models in accordance with international standards for the identification, measurement, monitoring, control and reporting of the CCR. Independent scrutiny and supervision is carried out on the integrity, correctness and effectiveness of the CCR management systems. These activities are carried out by the Bank's internal audit units and independent audit institutions.

Agreements entered into with counterparty financial institutions resulting in credit risk according to the attributes of the transaction are evaluated by taking into account ISDA framework and CSA framework for derivative transactions, GMRA framework for repurchase agreements. The risk is mitigated by receiving cash or other forms of collaterals as per the counterparty limits designated by the Board of Directors. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty limits. In cases whereby possible decreases or increases in ratings affects the current replacement cost, margin call agreements are used as a risk mitigator.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Counterparty Credit Risk (CCR) Approach Analysis:

	Replacement cost	Potential Future exposure	EEPE(Effective Expected Positive Exposure)*	Alpha used for computing regulatory EAD	EAD post-CRM**	RWA
Standardised Approach - CCR (for derivatives)	1.061.910	310.564	-	1,4	1.605.162	1.239.194
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)				-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					9.012.489	2.380.175
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					348.903	6.273
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					9.361.392	2.386.448
Total					10.966.554	3.625.642

*Expected effective positive risk amount

**This amount represents the post-correction amount for the KRAT and KDA risk.

Capital requirement for credit valuation adjustment (CVA):

	EAD post-CRM	Risk weight amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	1.605.162	1.239.194
Total subject to the CVA capital obligation	1.605.162	1.239.194

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Standardised Approach - Counterparty Risk Per Risk Classification And Risk Weighted Amounts:

Risk weight / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Claims on sovereigns and Central Banks	1.295.050	539	-	9.896	-	1.053	-	-	1.306.538
Claims on regional governments or local authorities	-	192.475	-	2.777	-	-	-	-	195.252
Claims on administrative bodies and other non-commercial undertakings	16.771	515.939	-	-	-	241	-	-	532.951
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	325.654	-	5.820.731	495.148	-	1.505.356	-	-	8.146.889
Claims on corporates	31.141	2.520	-	-	-	611.253	-	-	644.914
Claims included in the regulatory retail portfolios	-	133.035	-	-	6.975	-	-	-	140.010
Claims secured by residential property	-	-	-	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Total	1.668.616	844.508	5.820.731	507.821	6.975	2.117.903	-	-	10.966.554

Collaterals for Counterparty Credit Risk:

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	47.523	-	50.922	-	13.710
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	47.523	-	50.922	-	13.710

Counterparty Credit Risk-Credit Derivatives:

None.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Exposures to Central Counterparties (CCP):

	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		26.880
Exposures for trades at QCCPs (excluding initial margin and default	26.878	26.878
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	26.878	26.878
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	8.204	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	1.009	2
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

Securitisations:

None.

Qualitative Disclosure on Credit Risk:

Credit risk, which is the most important risk profile of the Parent Bank's business model, refers to risks and losses arising from counterparty's failure to meet its obligations under contracts that the Parent Bank is a party to. Credit limits are set according to the risk appetite and capacity of the Bank.

Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, executive vice president in charge of loans, general manager, credit committee and board of directors revised whenever required. As part of its risk policies, the Parent Bank monitors limits designated by sectors and sub sectors.

Within the scope of internal systems, internal audit activities are carried out by the Board of Inspectors and the Internal Audit Department in order to ensure that the activities of the Parent Bank are carried out in accordance with the Parent Bank's policies in compliance with the legal regulations. The Risk Management Department, which is the risk unit within the internal systems, performs the functions of measuring, monitoring, controlling and reporting on the credit risk to which the Parent Bank is exposed to. These identified units are regularly reporting on the risks exposed to the Bank's Senior Management.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Parent Bank, in the credit allocation process, restricts its risk exposure by working with highly creditworthy banks and institutions considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Parent Bank's risk is concentrated in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

Credit Quality of Assets:

	Gross carrying value as per TAS		Allowances/ amortisation and impairments	Net values
	Defaulted *	Non-defaulted		
1 Loans	9.282.998	258.453.644	9.027.374	258.709.268
2 Debt Securities*	-	61.408.792	49.279	61.360.712
3 Off-balance sheet exposures	-	111.512.212	367.589	111.144.623
4 Total	9.282.998	431.374.648	9.444.242	431.214.603

* As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Changes in Stock of Default Loans and Debt Securities:

1 Defaulted loans and debt securities at end of the previous reporting period	6.623.912
2 Loans and debt securities defaulted since the last reporting period	3.687.847
3 Receivables back to performing status	(66.386)
4 Amounts written off	(72.258)
5 Other changes	(890.117)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	9.282.998

Additional Disclosure Related To The Credit Quality Of Assets:**Exposures Provisioned Against By Maturity:**

31 December 2018	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans and Advances	3.160.268	15.139.374	15.195.175	77.568.360	113.386.136	34.259.955	258.709.268

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Exposures Provisioned Against By Major Regions:

31 December 2018	Loans Under Follow-Up	ECL (Stage 3)
Domestic	9.034.754	6.657.810
European Union (EU) Countries	56	52
OECD Countries	137	92
Off-Shore Banking Regions	-	-
USA, Canada	9	8
Other Countries	248.042	124.592
Total	9.282.998	6.782.554

Exposures Provisioned Against By Sectors:

Explained in section 4-II Information according to sectors and counterparties

Aging analysis of overdue but not impaired financial assets:

31 December 2018

30-60 days overdue	1.789.898
60-90 days overdue	1.345.309
Total	3.135.207

Breakdown of restructured receivables based on whether or not provisions are allocated:

31 December 2018

Loans Structured from Standard Loans and Other Receivables	1.267.526
Loans Composed of Follow-on Loans and Other Receivables	6.325.568
Loans Restructured from Non-Performing Loans	1.519.301

Qualitative Disclosure on Credit Risk Mitigation Techniques:

The risk mitigating factors used in the lending activities of the Bank are listed below.

- Financial warranties (Treasury Bills, Government Bonds, Cash, Pledged Deposits, Gold, Pledged Securities)
- Guarantees
- Mortgage (Although mortgage lending in Basel II has been considered as a risk class, it has also been included in this section in terms of valuation methods and concentrations).

The financial guarantees in the bank are subject to valuation on a daily basis. The creditors' credits are monitored and assessed within the framework of credit revision schedules.

As long as the mortgage that constitutes the collateral of the credits continues to be related to the loan, the risk-guarantee balances will be monitored and revalued each year. Action plans are developed for the possibility of diminution in value of collaterals.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

As per the BRSA regulations, guarantees given by the Treasury and banks are regarded as risk reduction elements and the creditworthiness of banks is regularly monitored.

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation.

The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques.

Financial collaterals that are composed of cash or similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation.

There is no on-balance sheet or off-balance sheet offsetting.

Credit Risk Mitigation Techniques- Overview:

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans*	156.220.633	102.488.635	85.382.745	18.091.356	18.091.356	-	-
2 Debt Instruments**	61.360.712	-	-	-	-	-	-
3 Total	211.230.836	102.488.635	85.382.745	18.091.356	18.091.356	-	-
4 Of which defaulted	758.981	1.741.463	1.623.801	493.279	493.279	-	-

*As collateral, within the scope of the Standard Approach, collaterals to be used to mitigate credit risk, are taken into consideration.

** As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Information about the Banks' Use of Ratings in Calculating Credit Risk by Using Standard Approach to Credit Risk:

Explained in risk classifications related to Article 6 of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks in section 4-II Credit risk section.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Standardised Approach- Credit Risk Exposure and Credit Risk Mitigation Techniques:

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	91.213.466	311.441	109.046.846	1.324.680	14.637.085	13,26%
Claims on regional governments or local authorities	3.829.315	116.305	3.829.315	58.153	1.859.588	47,84%
Claims on administrative bodies and other non-commercial undertakings	2.310.123	1.859.241	2.293.268	929.718	2.735.067	84,86%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	12.860.967	3.426.811	12.876.227	2.305.403	6.175.119	40,68%
Claims on corporates	102.345.584	70.931.163	95.664.696	45.463.199	138.866.703	98,40%
Claims included in the regulatory retail portfolios	78.688.050	29.854.597	67.537.153	5.666.310	52.444.818	71,64%
Claims secured by residential property	41.197.821	1.595.292	41.197.821	914.434	15.505.212	36,82%
Claims secured by commercial property	26.220.388	2.638.212	26.220.388	2.002.119	14.111.253	50,00%
Overdue loans	2.284.653	5.059	2.284.653	2.654	1.695.622	74,13%
Higher risk categories decided by the Board	37.587	150.747	37.587	101.862	209.174	150,00%
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	17.661.893	-	17.661.893	-	8.263.146	46,79%
Equity share investments	538.697	-	538.697	-	1.212.753	225,13%
Total	379.188.544	110.888.868	379.188.544	58.768.532	257.715.540	58,84%

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Standardised Approach- Claims By Risk Classification And Risk Weights:

Risk Classification/ Risk weight amount	0%	10%	20%	35%*	50%	75%	100%	150%	200%	250%	Total risk amount (post- CCF and CRM)
Claims on sovereigns and Central Banks	81.428.825	539	-	-	28.610.262	-	331.900	-	-	-	110.371.526
Claims on regional governments or local authorities	14.313	192.475	-	-	3.680.680	-	-	-	-	-	3.887.468
Claims on administrative bodies and other non-commercial undertakings	23.479	515.939	118	-	-	-	2.683.450	-	-	-	3.222.986
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	376.168	-	8.478.921	-	3.694.411	-	2.632.130	-	-	-	15.181.630
Claims on corporates	844.432	2.520	1.243.179	-	839.899	-	138.197.865	-	-	-	141.127.895
Claims included in the regulatory retail portfolios	2.898.303	133.035	359.235	-	-	69.812.890	-	-	-	-	73.203.463
Claims secured by residential property	33.337	-	10.993	40.119.826	-	1.948.098	1	-	-	-	42.112.255
Claims secured by commercial property	-	-	-	-	28.222.507	-	-	-	-	-	28.222.507
Overdue loans	373.206	-	-	-	436.959	-	1.477.142	-	-	-	2.287.307
Higher risk categories decided by the Board	-	-	-	-	-	-	-	139.449	-	-	139.449
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	89.326	-	-	449.371	538.697
Other receivables	7.830.515	-	1.435.160	-	640.601	989.855	6.667.322	-	-	98.440	17.661.893
Total	93.822.578	844.508	11.527.606	40.119.826	66.125.319	72.750.843	152.079.136	139.449	-	547.811	437.957.076

Publicly Announced Qualitative Disclosure on Market Risk

In accordance with the Bank' risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29511 by 23 October 2015.

It is the ultimate responsibility of the Board of Directors to apply and improve risk management strategies, policies and procedures that are approved by the board of directors, inform the board of directors about the important risks the Bank is exposed to, assess internal control, internal audit and risk reports with regard to the Banks' departments and to eliminate the risks, deficiencies or defects identified in these departments or to take the necessary precautionary actions to prevent those risks, deficiencies and defects and participate in the determination of risk limits. As part of this responsibility, the Board of Directors of the Bank designated VAR limits and the interest risk that the Bank can bear is limited to a ratio of the equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Bank's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Bank measures and monitors risks that exposed to, considering methods suitable with international standards, compliant with legislation. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, periodic and non-periodic reports are prepared for board of directors, relevant committees and senior management.

Market Risk: Standardised approach

Outright products	RWA
Interest rate risk (general and specific)	1.320.438
Equity risk (general and specific)	177.450
Foreign exchange risk	2.050.988
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	320.362
Scenario approach	-
Securitization	-
Total	3.869.238

Information related to Operational Risk:

The value at operational risk is calculated according to the basic indicator approach and once a year with year-end data.

	2 PP Amount	1 PP Amount	CP Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	7.647.709	10.107.156	11.921.941	9.892.269	15	1.483.840
Value at Operational Risk (Total * 12.5%)						18.548.003

XII. EXPLANATIONS ON REMUNERATION POLICIES

1. Disclosures related with Remuneration Committee

The Parent Bank's Remuneration Committee is comprised of two non-executive directors. The committee has convened for once during the year. The duties and responsibilities of the Committee include the following:

- The scope and structure of the Parent Bank's operations and strategies ensure the effectiveness of a wage policy and wage policy that is consistent with its long-term goals and risk management structures, prevents excessive risk taking and contributes to effective risk management.
- Controls and follows the remuneration practices on behalf of the Board of Directors
- Ensures accordance of ethical values, strategical targets and internal balance of the Parent Bank with the wage policy.
- Evaluates the remuneration policy and its practices in the context of risk management and submits proposals to the Board of Directors.
- Fulfills the other duties specified in the related regulations

The Parent Bank has received consultancy service from a company within the framework of the activities for compliance with the Guidelines on Sound Remuneration Practices in Banks.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Parent Bank's board members, senior management and the Parent Bank personnel deemed to perform the functions having material impact on the Parent Bank's risk profile are considered as critical key directors; and by the end of 2018, the number of critical key directors is 22.

2. Information on the design and structure of remuneration process

The Parent Bank relies on the following values while managing its Remuneration Policy.

- Based on fair and balanced performance targets
- Balance within the Bank in terms of wage application to ensure competitiveness within the sector,
- To increase the efficiency of rewards by emphasizing the concepts of job size, performance and contribution to work,

Remuneration Committee at its meeting in December 2018 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Parent Bank's Board of Directors, senior management and other staff are in line with the Parent Bank's ethical values, internal balances and strategic objectives in 2018. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Parent Bank.

According to the growing and evolving organizational structure of the Parent Bank, the Parent Bank is working with a consulting firm on a project about review of its human resources applications and comparing with other banks in the industry.

3. Evaluation about how the bank's remuneration processes take the current and future risks into account

The Parent Bank follows the Risk Management Principles while implementing the remuneration processes.

4. Evaluation about how the Parent Bank associates variable remunerations with performance

The Parent Bank's variable payments as performance bonuses are mostly made to the personnel working at the branches and Regional Directorships. The paid amounts are not exceed a certain percentage of the monthly fixed fees. No performance premium payments are made to other members of the bank that are considered to have performed a function that has a significant effect on the risk profile of the bank and the members of the board of directors and senior managers who are designated as critical key personnel but only a dividend payment is made up to twice of the gross monthly salary of all personnel with the decision of the General Assembly of the Parent Bank.

5. Evaluation about the bank's methods to adjust remunerations according to long-term performance

The same rules apply for the ratios of deferral for all critical staff members regarding their variable remunerations.

6. Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

(1) Cash and Central Bank of the Republic of Turkey:

a) Information on balances with the Central Bank of the Republic of Turkey:

	Current period	
	TRY	FC
Cash and foreign currency	1.259.820	3.332.074
CBRT	2.723.274	27.815.892
Other ⁽¹⁾	-	448.664
Total	3.983.094	31.596.630

⁽¹⁾As of 31 December 2018, required reserve deposits kept in Central Bank of Macedonia amounted TRY 145.344 and amounted TRY 303.300 kept in Central Bank of Serbia.

	Prior period	
	TRY	FC
Cash and foreign currency	1.155.031	1.053.099
CBRT	11.762.459	22.491.457
Other	-	219.331
Total	12.917.490	23.763.887

⁽¹⁾As of 31 December 2017, required reserve deposits kept in Central Bank of Macedonia amounted TRY 78.808 and amounted TRY 140.516 kept in Central Bank of Serbia.

b) Information on balances with the Central Bank of the Republic of Turkey:

	Current period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.470.993	9.347.358
Time unrestricted amount	-	-
Time restricted amount	-	2.259.938
Other ⁽²⁾	252.281	16.208.596
Total	2.723.274	27.815.892

⁽¹⁾ Reserve deposits kept in Central Bank of the Republic of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of the Republic of Turkey and Central Bank of Cyprus.

	Prior period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	11.647.057	3.585.219
Time unrestricted amount	-	-
Time restricted amount	437	2.425.300
Other ⁽²⁾	114.965	16.480.938
Total	11.762.459	22.491.457

⁽¹⁾ Reserve deposits kept in Central Bank of the Republic of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of the Republic of Turkey and Central Bank of Cyprus.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

As per the Communiqué no. 2013/15 "Reserve Deposits" of the Central Bank of the Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TRY, FC and/or standard gold and/or scrap gold liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 1,5%-8% for TRY deposits and other liabilities between 4%-20% for FC deposits for other FC liabilities. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to TRY and USD reserves.

The interest related to the reserve requirements set as TRY is paid at a rate of 1300 basis points rate as of 21 September 2018.

With the change dated 23 January 2015, it has been decided to apply a charge on daily account balances and two days notice account denominated in Euro, and collected on a daily basis, on reserve requirements held by banks commencing on 1 February 2015. As of 27 July 2015 commission ratios have been announced on the CBRT website as zero percent.

With the change on 2 May 2015 made by the CBRT, interest is paid on USD denominated reserve requirements, reserve options and free reserves held at Central Bank of the Republic of Turkey. The interest rate is set on daily basis by taking global and local financial markets conditions into account. The applicable interest rate is 1,5% for the reporting period (announced on 18 December 2017).

With the decision No.1005 dated 14 August 2018 of the TRNC, reserve requirement ratio is between 4% and 7% for TRY liabilities and for foreign currency liabilities.

With the Board of Directors decision No. 129 dated 2006 of the Central Bank of Macedonia, reserve requirement ratio is 8% for MKD currency liabilities and 15% for foreign currency liabilities.

According to the Official Gazette of Serbia No. 102/2015 of the Central Bank of Serbia, banks maintain reserve requirement of 5% for short term liabilities with maturities less than two years and 0% for long term liabilities with maturities more than two years, 20% for short term foreign currency liabilities with maturities less than two years and 13% for long term foreign liabilities with maturities more than two years.

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	14.375.207	-
Total:	14.375.207	-
	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	10.002.094	-
Total:	10.002.094	-

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	15.763
Total:	-	15.763

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	18.213	-
Total:	18.213	-

c) Positive differences related to the derivative financial assets at fair value through profit and loss:

	Current Period	
	TRY	FC
Forward transactions	-	204.002
Swap transactions	-	857.985
Futures transactions	-	-
Options	9	85
Other	-	-
Total	9	1.062.072

Positive differences related to the derivative financial assets held for trading:

	Prior Period	
	TRY	FC
Forward transactions	-	43.494
Swap transactions	-	318.842
Futures transactions	-	-
Options	118	62
Other	-	-
Total	118	362.398

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	6.675	2.642.815
Foreign banks	174.717	2.321.964
Branches and offices abroad	-	-
Total	181.392	4.964.779

	Prior Period	
	TRY	FC
Banks		
Domestic banks	601.804	4.126.869
Foreign banks	75.556	1.508.938
Branches and offices abroad	-	-
Total	677.360	5.635.807

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information on foreign banks:

	Unrestricted Balance	Restricted Balance
	Current Period	Current Period
EU Countries	681.473	42.554
USA and Canada	730.596	-
OECD Countries ⁽¹⁾	180.591	2.889
Offshore Banking Regions	522	-
Other	607.836	250.220
Total	2.201.018	295.663

	Unrestricted Balance	Restricted Balance
	Prior Period	Prior Period
EU Countries	682.125	13.485
USA and Canada	279.816	-
OECD Countries ⁽¹⁾	69.592	5.219
Offshore Banking Regions	111	-
Other	255.116	279.030
Total	1.286.760	297.734

(4) Information on financial assets at fair value through other comprehensive income:

a) Financial assets at fair value through other comprehensive income subject to repurchase agreements or blocked/
given as collateral

a.1. Information on financial assets at fair value through other comprehensive income and blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	564.582	168.246
Total	564.582	168.246

Information on financial assets available for sale and blocked/given as collateral:

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	11.052.292	1.045.607
Total	11.052.292	1.045.607

a.2. Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	45.539	392.500
Total	45.539	392.500

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Financial assets available to sale subject to repurchase agreements

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	154.578	4.308.531
Total	154.578	4.308.531

b) Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt securities	4.758.820
<i>Quoted on a stock exchange</i>	4.362.283
<i>Not quoted</i>	396.537
Share certificates	128.077
<i>Quoted on a stock exchange</i>	87.532
<i>Not quoted</i>	40.545
Impairment provision(-)	22.085
Total	4.864.812

Information on financial assets available for sale:

	Prior Period
Debt securities	17.990.330
<i>Quoted on a stock exchange</i>	17.667.333
<i>Not quoted</i>	322.997
Share certificates	106.162
<i>Quoted on a stock exchange</i>	67.523
<i>Not quoted</i>	38.639
Impairment provision(-)	397.314
Total	17.699.178

(5) Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Group:

	Current period	
	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	364.003	-
Total	364.003	-

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior period	
	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	275.131	-
Total	275.131	-

b) Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Loans and other receivables under close monitoring ⁽³⁾			
	Restructured Loans and Receivables			
	Standard Loans and Other Receivables	Loans and Receivables Not Subject to restructuring	Loans and Receivables with Revised Contract Terms	Refinance
Cash Loans				
Non-specialized loans	191.595.172	8.886.182	103.261	6.222.122
<i>Corporation loans</i>	113.652.470	5.651.760	11.643	5.945.976
<i>Export loans</i>	11.141.163	361.117	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.046.720	1.317.500	-	-
<i>Consumer loans⁽¹⁾</i>	41.797.895	821.022	27.853	16.963
<i>Credit cards⁽²⁾</i>	5.154.552	264.995	63.765	-
<i>Other</i>	18.802.372	469.788	-	259.183
Specialized lending	42.139.864	1.100.127	-	185
Other receivables	-	-	-	-
Accruals	3.377.281	410.664	583	312.411
Total	237.112.317	10.396.973	103.844	6.534.718

⁽¹⁾ Includes TRY 273.061 personnel loans.

⁽²⁾ Includes TRY 90.942 personnel credit cards.

	Standard Loans	Loans under Close Monitoring
12 Months expected loss provision	1.037.945	-
Significant Increase in Credit Risk	-	1.206.875

The general explanations on increase in provisions as a result of the comparison of the expected credit loss provisions between 1 January 2018 which is the date of transition to TFRS 9 and 31 December 2018 are as follows.

ECL ratio for stage 1 loans at transition phase and at 31 December 2018 have not changed significantly.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The increase in the ECL for Stage 2 loans was realized due to increase in foreign exchange rates and interest rates in parallel with increase in the number of repayment days of loans, furthermore increase in close monitoring figures due to the concept of TFRS 9 - significant increase in credit risk. Besides, the credit risks of foreign currency loans which accounted under stage 2 loans had an important factor in this increase.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables⁽¹⁾	Loans and Other Receivables Under Close Monitoring⁽²⁾
Extended by 1 or 2 times	1.240.578	6.145.425
Extended by 3,4 or 5 times	26.101	118.252
Extended by more than 5 times	847	61.891

⁽¹⁾Accruals amounting to TRY 11.736 are not included in the table above.

⁽²⁾Accruals amounting to TRY 312.994 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables⁽¹⁾	Loans and Other Receivables Under Close Monitoring⁽²⁾
0-6 Months	129.379	672.486
6 Months - 12 Months	66.947	243.245
1-2 Years	141.584	616.971
2-5 Years	485.175	2.304.786
5 Years and over	444.441	2.488.080

⁽¹⁾Accruals amounting to TRY 11.736 are not included in the table above.

⁽²⁾Accruals amounting to TRY 312.994 are not included in the table above.

c) Maturity analysis of cash loans:

Current Period	Loans under close monitoring		
	Standard Loans	Loans with Revised Contract Terms	Refinance
Short-term Loans	48.681.536	2.007.787	461.200
Medium and Long-term Loans	188.430.781	8.389.186	6.177.362
Prior Period			
Short-term Loans	38.945.860	529.406	276.045
Medium and Long-term Loans	159.993.904	4.673.100	2.302.702

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards: ^(*)

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	414.777	38.974.313	39.389.090
<i>Real estate loans</i>	6.689	24.164.588	24.171.277
<i>Automobile loans</i>	2.259	206.044	208.303
<i>Consumer loans</i>	405.829	14.603.681	15.009.510
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	2.514	310.799	313.313
<i>Real estate loans</i>	23	1.252	1.275
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	2.491	309.547	312.038
<i>Other</i>	-	-	-
Consumer loans- FC	4.765	1.411.248	1.416.013
<i>Real estate loans</i>	536	537.132	537.668
<i>Automobile loans</i>	65	8.147	8.212
<i>Consumer loans</i>	3.182	776.990	780.172
<i>Other</i>	982	88.979	89.961
Individual credit cards-TRY	3.472.907	1.457	3.474.364
<i>Installment</i>	1.229.512	1.457	1.230.969
<i>Non-installment</i>	2.243.395	-	2.243.395
Individual credit cards-FC	367	81.348	81.715
<i>Installment</i>	68	81.348	81.416
<i>Non-installment</i>	299	-	299
Personnel loans-TRY	13.206	217.270	230.476
<i>Real estate loans</i>	-	402	402
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.206	216.868	230.074
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	49	4.849	4.898
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	49	4.849	4.898
<i>Other</i>	-	-	-
Personnel loans-FC	370	37.317	37.687
<i>Real estate loans</i>	34	32.958	32.992
<i>Automobile loans</i>	-	144	144
<i>Consumer loans</i>	336	4.058	4.394
<i>Other</i>	-	157	157
Personnel credit cards-TRY	89.185	-	89.185
<i>Installment</i>	30.146	-	30.146
<i>Non-installment</i>	59.039	-	59.039
Personnel credit cards-FC	65	1.692	1.757
<i>Installment</i>	1	1.692	1.693
<i>Non-installment</i>	64	-	64
Overdraft accounts-TRY (Retail customers)	1.207.349	-	1.207.349
Overdraft accounts-FC (Retail customers)	64.732	175	64.907
Total	5.270.286	41.040.468	46.310.754

^(*) Interest income accruals are not included in the table above.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	406.948	36.405.136	36.812.084
Real estate loans	10.525	20.856.426	20.866.951
Automobile loans	4.950	275.611	280.561
Consumer loans	391.473	15.273.099	15.664.572
Other	-	-	-
Consumer loans- Indexed to FC	1.422	167.229	168.651
Real estate loans	11	1.172	1.183
Automobile loans	-	-	-
Consumer loans	1.411	166.057	167.468
Other	-	-	-
Consumer loans- FC	5.758	881.118	886.876
Real estate loans	512	288.516	289.028
Automobile loans	33	4.780	4.813
Consumer loans	4.208	523.567	527.775
Other	1.005	64.255	65.260
Individual credit cards-TRY	2.931.375	1.900	2.933.275
Installment	1.197.690	-	1.197.690
Non-installment	1.733.685	1.900	1.735.585
Individual credit cards-FC	495	59.339	59.834
Installment	204	59.339	59.543
Non-installment	291	-	291
Personnel loans-TRY	11.167	179.270	190.437
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	11.167	179.270	190.437
Other	-	-	-
Personnel loans-Indexed to FC	23	2.287	2.310
Real estate loans	-	7	7
Automobile loans	-	-	-
Consumer loans	23	2.280	2.303
Other	-	-	-
Personnel loans-FC	189	18.433	18.622
Real estate loans	16	16.061	16.077
Automobile loans	-	34	34
Consumer loans	173	2.226	2.399
Other	-	112	112
Personnel credit cards-TRY	62.366	-	62.366
Installment	20.308	-	20.308
Non-installment	42.058	-	42.058
Personnel credit cards-FC	34	1.362	1.396
Installment	2	1.362	1.364
Non-installment	32	-	32
Overdraft accounts-TRY (Retail customers)	953.999	-	953.999
Overdraft accounts-FC (Retail customers)	43.183	105	43.288
Total	4.416.959	37.716.179	42.133.138

⁽¹⁾ Interest income accruals are not included in the table above.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Information on commercial installments loans and corporate credit cards: ^(*)

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.018.975	26.808.673	27.827.648
<i>Business premises loans</i>	-	601.301	601.301
<i>Automobile loans</i>	13.787	412.266	426.053
<i>Consumer loans</i>	1.005.188	25.795.106	26.800.294
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	55.226	112.765	167.991
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	55.226	112.765	167.991
Commercial installment loans - FC	835.560	18.666.194	19.501.754
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	668.703	2.111.597	2.780.300
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	2.974	3.019
<i>Installment</i>	-	2.974	2.974
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	17.740	-	17.740
Total	6.333.114	45.590.606	51.923.720

^(*) Interest income accruals are not included in the table above.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	835.787	26.928.317	27.764.104
<i>Business premises loans</i>	-	681.102	681.102
<i>Automobile loans</i>	8.417	393.974	402.391
<i>Consumer loans</i>	827.370	25.853.241	26.680.611
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	36.242	43.900	80.142
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	36.242	43.900	80.142
Commercial installment loans - FC	449.460	10.956.464	11.405.924
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	14.226	9.695.831	9.710.057
<i>Other</i>	435.234	1.260.633	1.695.867
Corporate credit cards-TRY	1.258.098	-	1.258.098
<i>Installment</i>	529.167	-	529.167
<i>Non-installment</i>	728.931	-	728.931
Corporate credit cards-FC	25	2.156	2.181
<i>Installment</i>	-	2.156	2.156
<i>Non-installment</i>	25	-	25
Overdraft accounts-TRY (Commercial customers)	1.239.335	-	1.239.335
Overdraft accounts-FC (Commercial customers)	10.144	-	10.144
Total	3.829.091	37.930.837	41.759.928

⁽¹⁾ Interest income accruals are not included in the table above.

f) Loans by customers:

	Current Period
Public	7.288.472
Private	246.859.380
Total	254.147.852
	Prior Period
Public	5.347.397
Private	198.794.873
Total	204.142.270

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

g) Domestic and foreign loans:

	Current Period
Domestic loans	247.171.753
Foreign loans	6.976.099
Total	254.147.852

	Prior Period
Domestic loans	199.539.151
Foreign loans	4.603.119
Total	204.142.270

h) Loans granted to subsidiaries and associates:

None.

i) Credit-impaired losses (Stage III):

	Current Period
Loans and receivables with limited collectability	834.885
Loans and receivables with doubtful collectability	628.542
Uncollectible loans and receivables	5.319.127
Total	6.782.554

Special provision for loans:

	Prior Period
Specific provisions	
Loans and receivables with limited collectability	356.224
Loans and receivables with doubtful collectability	483.434
Uncollectible loans and receivables	4.046.423
Total	4.886.081

The reasons of increase in the expected loss provision for the Parent Bank's Stage 3 loans are additions to non-performing loan portfolio and increasing loss given default ratio after initial transferring date to non-performing loan portfolio.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

j) Information on non-performing loans (Net):

j.1. Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Gross amounts before provisions	64.295	150.712	1.304.294
Rescheduled loans	64.295	150.712	1.304.294

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period			
Gross amounts before specific provisions	77.659	59.104	1.309.399
Rescheduled loans and other receivables	77.659	59.104	1.309.399

j.2. Information on the movement of non-performing loans:

Current Period:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	679.089	768.024	5.176.799
Additions (+)	3.394.752	142.222	150.873
Transfers from other categories of loans under follow-up (+)	-	1.911.433	1.557.483
Transfers to other categories of loans under follow-up (-)	1.968.548	1.500.368	-
Collections (-)	411.282	247.433	669.589
Sold (-)	-	-	-
Write-offs (-)	-	-	72.258
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other*	113.740	185.261	72.800
Current period end balance	1.807.751	1.259.139	6.216.108
Provision (-)	834.885	628.542	5.319.127
Net balance on balance sheet	972.866	630.597	896.981

*Other includes income accruals amounts for follow-up loans.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	950.477	467.221	3.902.814
Additions (+)	1.544.335	34.415	127.455
Transfers from other categories of loans under follow-up (+)	-	1.601.059	1.230.296
Transfers to other categories of loans under follow-up (-)	1.627.408	1.203.947	-
Collections (-)	213.825	145.077	369.261
Write-offs (-)	-	-	2.148
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	2.148
Current period end balance	653.579	753.671	4.889.156
Provision (-)	356.224	483.434	4.046.423
Net balance on balance sheet	297.355	270.237	842.733

j.3. Information on foreign currency non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	653.299	291.437	2.304.979
Provisions(-)	347.223	175.060	2.062.220
Net balance in the balance sheet	306.076	116.377	242.759

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period			
Balance at the end of the period	162.249	195.411	1.913.175
Specific provisions(-)	96.465	150.886	1.230.028
Net balance in the balance sheet	65.784	44.525	683.147

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

j.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	972.866	630.597	896.981
Loans to granted real persons and legal entities (Gross)	1.807.751	1.259.139	6.216.108
Provisions (-)	834.885	628.542	5.319.127
Loans to granted real persons and legal entities (Net)	972.866	630.597	896.981
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period (Net)	297.357	270.235	842.733
Loans to granted real persons and legal entities (Gross)	652.752	752.744	4.819.104
Specific provisions (-)	355.395	482.509	3.976.371
Loans to granted real persons and legal entities (Net)	297.357	270.235	842.733
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	829	925	70.052
Specific provisions (-)	829	925	70.052
Other loans and receivables (Net)	-	-	-

k) Information on interest accruals, discounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	59.796	83.049	27.138
Interest Accruals and Valuation Differences	113.740	185.261	72.800
Provision (-)	53.944	102.212	45.662

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

l) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Parent Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and principle receivables from loans. The Parent Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

m) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" non-performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

(6) Information on financial assets measured at amortised cost:

a) Information on financial assets measured at amortised cost blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Financial assets measured at amortised cost blocked/given as collateral:

	Current Period	
	TRY	FC
Government bonds and similar securities	-	-
Treasury Bills	37.236.634	2.464.985
Other	10.110	-
Total	37.246.744	2.464.985

Held-to-maturity blocked/given as collateral:

	Prior Period	
	TRY	FC
Government bonds and similar securities	43.395	-
Treasury Bills	19.146.025	1.333.136
Other	-	-
Total	19.189.420	1.333.136

a.2. Financial assets measured at amortised cost subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	2.194.216	8.214.062
Total	2.194.216	8.214.062

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Held-to-maturity subject to repurchase agreements:

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	34.794	1.169.918
Total	34.794	1.169.918

b) Information on public sector financial assets measured at amortised cost:

	Current Period
Government bonds	56.057.685
Treasury bills	196.413
Other public sector debt securities	15.610
Total	56.269.708

Information on public sector debt investments held-to-maturity:

	Prior Period
Government bonds	21.791.279
Treasury bills	152.425
Other public sector debt securities	-
Total	21.943.704

c) Information on financial assets measured at amortised cost:

	Current Period
Debt securities	56.331.345
<i>Quoted on a stock exchange</i>	56.134.932
<i>Not quoted</i>	196.413
Impairment provision (-)	-
Total	56.331.345

Information on held-to-maturity:

	Prior Period
Debt securities	21.987.099
<i>Quoted on a stock exchange</i>	21.834.674
<i>Not quoted</i>	152.425
Impairment provision (-)	-
Total	21.987.099

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Movement of financial assets measured at amortised cost within the year:

	Current Period
Beginning balance	21.987.099
Foreign currency differences on monetary assets	2.031.757
Purchases during the year ⁽¹⁾⁽²⁾	39.018.124
Disposals through sales and redemptions	(6.705.635)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	56.331.345

⁽¹⁾ Interest income accrual differences between 31 December 2018 amounting to TRY 5.458.441 and 31 December 2017 amounting to TRY 2.902.480 has been included in purchases row.⁽²⁾ The Parent Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income into financial assets measured at amortised cost on 23 May 2018.**Movement of held-to-maturity within the year:**

	Prior Period
Beginning balance	18.344.626
Foreign currency differences on monetary assets	234.386
Purchases during the year ⁽¹⁾	5.884.168
Disposals through sales and redemptions	(2.476.081)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	21.987.099

⁽¹⁾ Interest income accrual differences between 31 December 2017 amounting to TRY 2.902.480 and 31 December 2016 amounting to TRY 1.952.915 has been included in purchases row.**(7) Information on associates (Net):****a) The reasons behind unconsolidated associates being out of consolidation scope:**

The non-financial investments in associates are accounted for under cost method of accounting since reliable fair values cannot be determined.

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul	18,18	18,18
2. Bankalararası Kart Merkezi AŞ ⁽²⁾	İstanbul	18,95	18,95

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	342.784	211.006	206.138	9.294	-	41.206	37.880	-
2.	117.093	64.965	56.060	4.658	-	15.953	11.164	-

⁽¹⁾ The financial data is obtained from 31 December 2018 unaudited financial statements.

⁽²⁾ The financial data is obtained from 31 December 2018 audited financial statements.

c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halk Bank NV	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	33,12
3. Türk P ve I Sigorta AŞ	İstanbul	16,67	16,67

Information related to the associates as sorted above: ⁽¹⁾

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1.	9.681.102	1.438.489	9.715	362.583	3.011	84.803	71.048	415.829
2.	50.811	50.059	83	4.697	-	1.659	1.208	-
3.	41.554	12.414	467	1.563	-	3.891	1.684	-

⁽¹⁾ The financial data is obtained from 31 December 2018 financial statements used in consolidation.

⁽²⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2018.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Movement of associates:

	Current Period
Balance at the beginning of the period	353.138
Movements during the period	105.584
<i>Purchases</i>	375
<i>Bonus shares obtained profit from current year's share</i>	3.032
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	102.177
<i>Impairment Provisions (-)/ Reversals</i>	-
Balance at the end of the period	458.722
Capital commitments	-
Share percentage at the end of the period (%)	-
	Prior Period
Balance at the beginning of the period	292.421
Movements during the period	60.717
<i>Purchases</i>	-
<i>Bonus shares obtained profit from current year's share</i>	-
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	60.717
<i>Impairment Provisions (-)/ Reversals</i>	-
Balance at the end of the period	353.138
Capital commitments	-
Share percentage at the end of the period (%)	-

d) Sectorial information and related carrying amounts of associates:

	Prior Period
Banks	431.547
Insurance companies	2.069
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	15.754
Other non- financial investments	9.352

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period
Banks	330.548
Insurance companies	1.038
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	15.232
Other non- financial investments	6.320

e) Associates quoted to a stock exchange:

None.

(8) Information on subsidiaries (Net):

a) Information on consolidated subsidiaries ⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
CORE CAPITAL										
Paid in Capital	104.000	280.000	412.000	858.000	323.000	26.000	301.922	96.000	213.395	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	101	-	49.945	-	-	11.633	-	99.004	-
Reserves	15.958	23.048	91.617	72.118	13.915	2.152	233.674	10.095	196.454	-
Other Comprehensive Income according to TAS	5.310	-	-	2.467	-	-	5.445	10	13.007	-
Profit / Loss	57.733	7.689	327.843	83.202	(99.668)	10.559	74.086	58.226	17.977	846
Net Profit	57.733	145.122	305.840	83.202	(112.634)	10.130	54.688	67.679	15.697	837
Prior Period Profit/Loss	-	(137.433)	22.003	-	12.966	429	19.398	(9.453)	2.280	9
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	750	-	-	-	-	-	-	-	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	1.465	19.904	-	95	35	104	-	-	-
Leasehold Improvements (-)	-	-	263	-	-	-	9.610	186	5.761	-
Intangible Assets (-)	1.131	3.702	1.792	347	1.277	-	5.881	599	13.251	-
Total Core Capital	182.620	305.671	809.501	1.065.385	235.875	38.676	611.165	163.546	520.825	946
SUPPLEMENTARY CAPITAL	-	-	-	-	30.623	-	18.709	20.628	7.639	-
CAPITAL	182.620	305.671	809.501	1.065.385	266.498	38.676	629.874	184.174	528.464	946
NET AVAILABLE CAPITAL	182.620	305.671	809.501	1.065.385	266.498	38.676	629.874	184.174	528.464	946

⁽¹⁾ The financial data is obtained from 31 December 2018 financial statements used in consolidation.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been appropriated with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been appropriated from distributable profit in accordance with the third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

b) Unconsolidated subsidiaries, reasons for not consolidating if any and information on total needed shareholder's equity that is subjected to minimum capital requirements:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and non-financial subsidiary is not included in the consolidation.

c) Information on unconsolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Bileşim Alternatif Dağ. Kan. AŞ ⁽¹⁾	Istanbul	100,00	100,00

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	63.794	45.333	8.062	5.157	752	11.542	7.287	57.146

⁽¹⁾ The financial information of Bileşim Alternatif Dağ. Kan. AŞ is presented from its financial statements as of 31 December 2018.

⁽²⁾ Fair values has been obtained from valuation report as of 31 December 2018

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Information on consolidated subsidiaries (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	95,32
3. Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ ^{(2), (3)}	İstanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	75,00	99,99
7. Halk Banka AD, Skopje	Macedonia	99,16	99,16
8. Halk Faktoring AŞ	İstanbul	97,50	100,00
9. Halkbank A.D. Beograd	Serbia	100,00	100,00
10. Halk Varlık Kiralama AŞ	İstanbul	100,00	100,00

Information related to the subsidiaries as sorted above ⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽⁴⁾
1.	309.844	183.751	3.142	118.785	3.241	57.733	29.035	227.603
2.	2.346.676	309.373	5.704	241.162	37.762	145.122	66.061	492.895
3.	1.383.320	811.556	3.781	228.028	41.857	305.840	224.197	1.525.529
4.	1.393.185	1.041.543	654.284	5.235	-	83.202	40.638	432.290
5.	3.403.045	237.152	1.814	272.282	-	(112.634)	55.443	469.553
6.	40.773	38.676	417	6.305	203	10.130	55.443	39.828
7.	4.435.108	626.656	83.242	167.301	14.458	54.688	34.363	580.857
8.	1.419.707	164.331	1.427	328.215	-	67.679	32.041	138.296
9.	2.762.352	539.837	54.404	93.764	12.086	15.697	6.244	406.512
10.	941.061	946	-	-	-	837	9	1.800

⁽¹⁾ The financial data is obtained from 31 December 2018 financial statements used in consolidation.

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı A.Ş. is valued at stock price.

⁽³⁾ The Parent Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

⁽⁴⁾ Fair values of subsidiaries have been obtained from valuation reports of the subsidiaries as of 31 December 2018.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(8) Movement of the subsidiaries:

	Current Period
Balance at the beginning of the period (before elimination)	3.626.708
Movements during the period	705.773
<i>Purchases⁽¹⁾⁽²⁾⁽³⁾</i>	310.098
<i>Bonus shares obtained profit from current year's share</i>	266.211
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer⁽⁴⁾</i>	(39.375)
<i>Revaluation increase</i>	236.002
<i>Reversals / Provisions(-) for impairment</i>	(161.627)
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	94.464
Share capital elimination of subsidiaries	(4.275.335)
Balance at the end of the period	57.146
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ Between 1 January – 31 December 2018, The Bank paid TRY 202.726 for 0,11% shares of Halkbank A.D. Beograd, and increased its shares to 100%.⁽²⁾ Between 1 January – 31 December 2018, The Bank paid TRY 53.864 for 0,13% shares of Halkbank A.D. Skopje , which is located in Macedonia and increased its shares to 99,16%.⁽³⁾ In the period of 31 December 2018, The Bank paid TRY 53.508 for shares of Halk Sigorta A.Ş.⁽⁴⁾ The bank reclassified its shares of Halk portföy Yönetimi A.Ş., which was classified as subsidiary in prior period, under the assets held for sale and discontinued operations in the balance sheet.

	Prior Period
Balance at the beginning of the period(before elimination)	2.877.824
Movements during the period	748.884
<i>Purchases⁽¹⁾</i>	14.994
<i>Bonus shares obtained profit from current year's share</i>	230.201
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer</i>	-
<i>Revaluation increase</i>	317.235
<i>Reversals / Provisions(-) for impairment</i>	27.562
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	158.892
Share capital elimination of subsidiaries	(3.574.530)
Balance at the end of the period	52.178
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ As of 31 December 2017, The Parent Bank paid TRY 14.894 for 17,42% shares of Halkbank A.D. Beograd, which is located in Serbia, and increased its shares to 99,89%.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Sectorial information on subsidiaries and the related carrying amounts:

	Current Period
Banks	987.369
Insurance companies	2.018.424
Factoring companies	138.296
Leasing companies	469.553
Financing companies	-
Other financial subsidiaries	661.693
Other non-financial subsidiaries	57.146
	Prior Period
Banks	536.971
Insurance companies	1.639.499
Factoring companies	123.683
Leasing companies	474.507
Financing companies	-
Other financial subsidiaries	799.870
Other non-financial subsidiaries	52.178

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ⁽¹⁾ , ⁽²⁾	925.185	993.228
Quoted foreign stock exchange	-	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa İstanbul AŞ.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

(9) Information on jointly controlled entities (joint ventures):

None.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(10) Information on finance lease receivables (Net):**a) Maturity structure of investments on financial lease:**

	Current Period	
	Gross	Net
Less than 1 year	1.285.510	1.020.557
Between 1-4 years	1.830.927	1.420.539
More than 4 years	648.917	472.097
Total	3.765.354	2.913.193

	Prior Period	
	Gross	Net
Less than 1 year	958.715	798.268
Between 1-4 years	1.756.371	1.446.211
More than 4 years	452.146	426.774
Total	3.167.232	2.671.253

b) Information on gross investments of financial lease:

	Current Period
Gross financial lease investment	3.765.354
Unearned revenues from financial lease	(852.161)
Total	2.913.193

	Prior Period
Gross financial lease investment	3.167.232
Unearned revenues from financial lease	(495.979)
Total	2.671.253

c) Information on receivables from non- performing loans of financial lease:

	Current Period
Financial lease receivables with limited collectability	265.322
Financial lease receivables with doubtful collectability	5.280
Uncollectible financial lease receivables	303.801
Provisions	(406.329)
Total	168.074

	Prior Period
Financial lease receivables with limited collectability	6.158
Financial lease receivables with doubtful collectability	14.353
Uncollectible financial lease receivables	282.817
Specific provisions	(226.693)
Total	76.635

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(11) Information on derivative financial assets for hedging purposes:

None.

(12) Information on tangible assets:

The fair value of tangible assets are determined by its equivalence value method. Fair value measurement of investment properties which fair values are determined by equivalence value method, are classified as Level 2.

Current Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfer	Balance at the end of the period
Cost						
Immovable	2.822.273	133.410	230.173	11.929	-	3.173.927
Tangible assets purchased through financial lease	26.581	94	-	1.373	-	25.302
Office machines	641.336	205.083	-	80.908	-	765.511
Fixed assets obtained due to non-performing loans	743.605	674.609	-	181.237	4.753	1.241.730
Lease hold improvements costs	155.704	45.999	-	290	-	201.413
Other	328.707	31.881	-	23.449	2.574	339.713
Total Cost	4.718.206	1.091.076	230.173	299.186	7.327	5.747.596
Accumulated depreciation (-)						
Immovable	204.479	18.088	12.463	781	-	234.249
Tangible assets purchased through financial lease	25.893	228	-	1.390	-	24.731
Office machines	369.711	111.537	-	28.343	-	452.905
Fixed assets obtained due to non-performing loans	16.224	8.141	-	5.259	-	19.106
Lease hold improvements costs	91.269	29.362	-	1.676	-	118.955
Other	245.165	23.199	-	22.598	-	245.766
Total Accumulated Depreciation	952.741	190.555	12.463	60.047	-	1.095.712
Provision for impairment (-)						
Immovable	4.248	-	386	-	--	4.634
Fixed assets obtained due to non-performing loans	9.617	-	-	2.253	--	7.364
Total provision for impairment (-)	13.865	-	386	2.253	--	11.998
Net Book Value	3.751.600	900.521	217.324	236.886	7.327	4.639.886

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfer	Balance at the end of the period
Cost						
Immovable	2.498.692	89.452	288.145	54.016	-	2.822.273
Tangible assets purchased through financial lease	26.796	4	-	219	-	26.581
Office machines	498.526	169.512	-	26.702	-	641.336
Fixed assets obtained due to non-per- forming loans	648.547	239.184	-	144.126	-	743.605
Lease hold improvements costs	155.871	25.965	-	26.132	-	155.704
Other	313.851	25.501	-	8.616	(2.029)	328.707
Total Cost	4.142.283	549.618	288.145	259.811	(2.029)	4.718.206
Accumulated depreciation (-)						
Immovable	194.651	14.993	6.392	11.557	-	204.479
Tangible assets purchased through financial lease	25.896	87	-	90	-	25.893
Office machines	301.662	75.856	-	7.807	-	369.711
Fixed assets obtained due to non- performing loans	17.408	6.180	-	7.364	-	16.224
Lease hold improvements costs	83.484	29.431	-	21.646	-	91.269
Other	235.356	17.275	-	7.466	-	245.165
Total accumulated depreciation	858.457	143.822	6.392	55.930	-	952.741
Provision for impairment (-)						
Immovable	5.817	397	-	1.966	-	4.248
Fixed assets obtained due to non- performing loans	11.025	988	-	2.396	-	9.617
Total provision for impairment (-)	16.842	1.385	-	4.362	-	13.865
Net Book Value	3.266.984	404.411	281.753	199.519	(2.029)	3.751.600

(13) Information on other intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	288.907	71.536	1.396	-	359.047
Total Cost	288.907	71.536	1.396	-	359.047
Accumulated Depreciation (-)					
Other intangible assets	145.812	57.193	27.369	-	175.636
Total Accumulated Depreciation	145.812	57.193	27.369	-	175.636
Net Book Value	143.095	14.343	(25.973)	-	183.411

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	208.925	87.084	7.102	-	288.907
Total Cost	208.925	87.084	7.102	-	288.907
Accumulated Depreciation (-)					
Other intangible assets	93.696	52.343	227	-	145.812
Total Accumulated Depreciation	93.696	52.343	227	-	145.812
Net Book Value	115.229	34.741	6.875	-	143.095

(14) Information on investment property:

	Current Period
Cost	
Opening Balance	988.280
Acquisitions	74.894
Transfer	-
Disposals	6.116
Impairment Provisions	-
Ending Balance	1.057.058
Accumulated Depreciation (-)	
Opening Balance	
Amortization Charge (-)	77.902
Additions	5.835
Disposals (-)	-
Impairment Provisions	80
Transfer	-
Total Accumulated Depreciation (-)	83.657
Net Book Value	973.401

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period
Cost	
Opening Balance	934.058
Acquisitions	55.273
Transfer	(407)
Disposals	644
Impairment Provisions	-
Ending Balance	988.280
Accumulated Depreciation (-)	
Opening Balance	
Amortization Charge (-)	69.942
Additions	8.392
Disposals (-)	25
Impairment Provisions	-
Transfer	(407)
Total Accumulated Depreciation (-)	77.902
Net Book Value	910.378

(15) Information on tax assets:

Please refer to Section 5, explanations related to the liabilities footnote (10).

(16) Information on assets held for sale and held from discontinued operations:

	Current Period
Cost	9.593
Accumulated Depreciation (-)	-
Net book value	9.593
Opening Balance	790
Transfer (net)	8.907
Disposals (net) (-)	104
Additions	-
Impairment (-)	-
Depreciation (-)*	-
Closing net book value	9.593

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic owned by directly or indirectly all creditors. In this regard, the Group owned 3,6562 % of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

Parent Bank's subsidiary Halk Portföy Yönetimi A.Ş. is going to be merged with Ziraat Portföy Yönetimi A.Ş. by acquisition. The merger value of Halk Portföy Yönetimi A.Ş. has been determined as TRY 52,500 in the "Valuation Report" for the shares held by the Bank and its subsidiaries. The Bank's carrying value of the shares are TRY 39.375.

	Prior Period
Cost	790
Accumulated Depreciation (-) ⁽¹⁾	-
Net Book Value	790
Opening Balance	1.537
Acquisitions (Transfers) (Net)	-
Disposals (-) (Net)	747
Revaluation Increase	-
Impairment Charge / Cancellation(-)	-
Amortization Charge (-)	-
Net Book Value	790

⁽¹⁾ Accumulated depreciation is attributable to the recoverable amounts which are classified as held for sale in the current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 5.501.323 and does not exceed 10% of the balance sheet total (31 December 2017: TRY 3.026.257).

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits / funds collected:

a) For deposit / funds collected banks:

Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.742.223	-	1.948.028	45.655.985	4.207.981	2.061.570	792.495	101.935	61.510.217
Foreign currency deposits	13.897.192	-	8.911.804	53.784.069	7.669.456	3.401.033	6.795.722	11.268	94.470.544
Residents in Turkey	11.003.321	-	6.712.391	50.232.576	6.849.844	1.790.411	3.681.216	10.784	80.280.543
Residents abroad	2.893.871	-	2.199.413	3.551.493	819.612	1.610.622	3.114.506	484	14.190.001
Public sector deposits	2.920.272	-	2.293.652	3.890.644	1.257.655	1.186.540	16.715	-	11.565.478
Commercial inst. deposits	4.990.202	-	10.054.017	17.863.020	2.147.885	1.479.210	277.424	-	36.811.758
Other inst. deposits	736.010	-	344.876	5.478.120	2.459.517	2.055.496	571.269	-	11.645.288
Precious metals	3.132.484	-	1.446	353.335	16.328	22.150	32.098	-	3.557.841
Interbank deposits	20.673.730	-	952.694	9.035.768	179.870	38.214	138.118	-	31.018.394
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	116.071	-	370.152	6.526.936	17.765	4.116	6.247	-	7.041.287
Foreign banks	20.064.688	-	107.566	2.190.002	2.860	34.098	131.871	-	22.531.085
Participation banks	492.971	-	474.976	318.830	159.245	-	-	-	1.446.022
Total	53.092.113	-	24.506.517	136.060.941	17.938.692	10.244.213	8.623.841	113.203	250.579.520

Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.767.610	-	758.785	39.992.067	1.734.753	459.667	537.645	104.662	50.355.189
Foreign currency deposits	9.021.857	-	3.937.904	37.510.134	3.612.492	3.755.042	4.983.103	10.866	62.831.398
Residents in Turkey	6.816.699	-	3.464.401	34.802.545	3.232.691	2.913.211	2.590.680	10.511	53.830.738
Residents abroad	2.205.158	-	473.503	2.707.589	379.801	841.831	2.392.423	355	9.000.660
Public sector deposits	2.100.039	-	2.541.047	4.614.515	426.883	4.138.990	53.204	-	13.874.678
Commercial inst. deposits	5.235.492	-	5.853.719	19.976.270	1.714.801	2.288.182	267.237	-	35.335.701
Other inst. deposits	571.038	-	1.134.603	6.514.654	675.153	820.826	20.045	-	9.736.319
Precious metals	1.821.711	-	246	82.140	4.392	4.069	10.080	-	1.922.638
Interbank deposits	3.813.689	-	3.863.659	11.192.988	74.936	24.560	244.866	-	19.214.698
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	41.021	-	1.531.378	6.900.085	6.559	9.579	-	-	8.488.622
Foreign banks	3.763.920	-	1.974.804	3.930.882	68.377	14.981	167.973	-	9.920.937
Participation banks	8.748	-	357.477	362.021	-	-	76.893	-	805.139
Total	29.331.436	-	18.089.963	119.882.768	8.243.410	11.491.336	6.116.180	115.528	193.270.621

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1.Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	Current Period	Current Period
Saving deposits	29.259.703	32.011.973
Foreign currency saving deposits	12.245.300	32.691.865
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	349.453	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	Prior Period	Prior Period
Saving deposits	25.612.387	24.595.796
Foreign currency saving deposits	9.203.420	19.607.544
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	211.478	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period
Foreign branches' saving deposits and other accounts	215.452
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	6.165
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

438

	Prior Period
Foreign branches' saving deposits and other accounts	143.237
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	4.045
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

(2) Information on derivative financial liabilities held for trading:

Negative differences table related to the derivative financial liabilities held-for-trading:

	Current Period	
	TRY	FC
Forward transactions	-	98.283
Swap transactions	-	302.066
Future transactions	-	-
Options	16	9.974
Other	-	-
Total	16	410.323

	Prior Period	
	TRY	FC
Forward transactions	-	88.977
Swap transactions	-	61.405
Future transactions	-	-
Options	146	145
Other	-	-
Total	146	150.527

(3) Information on funds borrowed:**a) Information on funds borrowed:**

	Current Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	1.116.624	2.396.533
Foreign banks, institutions and funds	170.000	11.591.323
Total	1.286.624	13.987.856

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	1.008.709	2.680.627
Foreign banks, institutions and funds	428.152	15.940.996
Total	1.436.861	18.621.623

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	1.285.939	2.666.516
Medium and long-term	685	11.321.340
Total	1.286.624	13.987.856

	Prior Period	
	TRY	FC
Short-term	1.261.518	5.789.308
Medium and long-term	175.343	12.832.315
Total	1.436.861	18.621.623

c) Additional disclosures related to the concentrations of the Group's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Group is deposits, which is composed of 24,55% of saving deposits and 37,70% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Group can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 48,50% of bank deposits and 44,65% of other deposits consist of foreign currency deposits.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(4) Marketable securities issued (Net):

	Current period	
	TRY	FC
Bonds	2.164.993	-
Asset Back Securities	1.951.469	-
Treasury Bills	204.912	12.024.839
Total	4.321.374	12.024.839

	Prior period	
	TRY	FC
Bonds	3.280.789	-
Asset Back Securities	100.436	-
Treasury Bills	-	8.640.905
Total	3.381.225	8.640.905

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under Secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

Current Period		
Short Term		Long Term
1.080		2.873.041
Prior Period		
Short Term		Long Term
1.213		2.723.421

(6) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total. (31 December 2017: Other liabilities balance does not exceed 10% of the balance sheet total).

(7) Information on finance lease payables (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the TAS.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Explanation on finance lease payables:

	Current period	
	Gross	Net
Less than 1 year	-	-
Between 1-4 years	116	85
More than 4 years	-	-
Total	116	85

	Prior period	
	Gross	Net
Less than 1 year	-	-
Between 1-4 years	-	-
More than 4 years	-	-
Total	-	-

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "Other Assets". The Group does not have any commitments arising on the existing operational lease agreements.

(8) Information on derivative financial liabilities for hedging purposes:

None.

(9) Explanations on provisions:

a) Information on general provisions:

As of the current period, provisions for expected losses for the first and the second stage loans related with TFRS 9 are explained in Section 5, explanations related to the assets footnote (5-b).

	Prior Period
General provision	2.317.157
Provisions for first group loans and receivables	2.080.595
Provisions for second group loans and receivables	105.114
Provisions for non-cash loans	131.448
Other	-

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

None. (31 December 2017: TRY 1.923).

c) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2018, the Group's specific provision for unindemnified non-cash loans balance is TRY 169.431 (31 December 2017: TRY 123.060).

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Information on other provisions:

Total other provision balance amounting to TRY 1.025.015 (31 December 2017: TRY 351.688) consists of TRY 169.431 (31 December 2018: TRY 123.060) for specific provisions for unindemnified non cash loans, TRY 169.431 for expected loss amount for non cash loans, TRY 129.210 (31 December 2017: TRY 110.968) for legal cases filed against the Group, TRY 451.000 (31 December 2017: TRY 17.000) general provision for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions and TRY 77.216 (31 December 2017: TRY 100.660) of other provisions.

e) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2018 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	12,00%	8,90%
Discount Rate	16,30%	12,30%
Estimated Real Wage Growth Rate	12,20%	9,10%

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	471.506	405.116
Charge for the year	46.834	39.745
Interest Expense	57.289	44.640
Actuarial gain/loss	(24.210)	11.258
Prior period service cost composed current period	760	52
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	3.288	8.229
Benefits paid within the period(-)	(35.642)	(37.534)
Total	519.825	471.506

f) Liabilities for employee benefits:

As of 31 December 2018, unused vacation accruals are TRY 107.557, personnel dividend provision is TRY 278.959, severance indemnity provision for Group personnel is TRY 519.825 and severance indemnity provision for outsourcing firms is TRY 20.277. (31 December 2017: TRY 161.876 for unused vacation accruals; TRY 471.506 for severance indemnity provision for Group personnel; TRY 17.553 for severance indemnity provision for outsources; TRY 209.505 for personnel dividend provision).

The Group's accounts for actuarial gains / losses under equity commencing from 1 January 2013.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

g) Liabilities arising from retirement benefits:

g.1 Liabilities of pension funds founded as per the Social Security Institution:

None.

g.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2018, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı and T.C. Ziraat Bankası ve Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2018, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

Assumptions	Current Period	Prior Period
Discount Rate	%9,8	%9,8
Mortality Rate	CSO 1980 woman/man	CSO 1980 woman/man

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2018 the number of personnel who benefit from the Fund is 36.012 (31 December 2017: TRY 34.631).

Below table shows the present values of premiums and salary payments as of 31 December 2018, by taking into account the health expenses within the Social Security Institution limits.

Transferable Pension and Medical Benefits:	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(2.561.914)	(1.938.100)
Net Present Value of Long Term Insurance Line Premiums	2.944.078	2.167.717
Net Present Value of Total Liabilities Other Than Health	382.164	229.617
Net Present Value of Health Liabilities	(538.003)	(435.970)
Net Present Value of Health Premiums	1.839.474	1.354.206
Net Present Value of Health Liabilities	1.301.471	918.236
Pension Fund Assets	2.469.532	1.911.745
General Administration Expenses (1%)	(30.999)	(23.741)
Amount of Actuarial and Technical Deficit	4.122.168	3.035.857

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
Banks	1.386.529	1.104.186
Marketable Securities	908.197	644.310
Property and Equipment	112.560	126.403
Other	62.246	36.846
Total	2.469.532	1.911.745

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

Change in Assumptions (%)

Assumptions	Pension Benefits	Death Benefits	Medical Benefits	Total
Discount rate+1%	<(0,1%)	(18,0%)	(18,2%)	(18,2%)
Discount rate -1%	0,1%	24,2%	24,6%	24,6%
Inflation rate +1%	0,1%	24,5%	30,8%	30,7%
Inflation rate -1%	<(0,1%)	(18,3%)	(21,7%)	(21,6%)

h) Insurance Technical Provisions (Net):

	Current period
Life-Mathematical Provisions	352.187
Provisions for unearned premium claims	649.756
Provision for outstanding claims	1.195.081
Provisions for unexpired risk reserves	17.019
Other	1.110
Total	2.215.153

	Prior period
Life-Mathematical Provisions	330.550
Provisions for unearned premium claims	538.485
Provision for outstanding claims	932.912
Provisions for unexpired risk reserves	8.739
Other	118
Total	1.810.804

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2018, the Group's corporate tax payable is amounting to TRY 44.287 and accounted for under corporate tax provision at the related date. (31 December 2017: TRY 175.402)

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

a.2. Information on taxes payable:

	Current Period
Corporate tax payable	44.287
Income on securities tax	419.083
Property income tax	1.879
Banking and insurance transactions tax (BITT)	188.173
Foreign exchange transactions tax	13
Value added tax payable	6.176
Other	42.338
Total	701.949

	Prior Period
Corporate tax payable	175.402
Income on securities tax	328.175
Property income tax	1.570
Banking and insurance transactions tax (BITT)	108.669
Foreign exchange transactions tax	21
Value added tax payable	4.727
Other	31.718
Total	650.282

a.3. Information on premiums:

	Current Period
Social insurance premiums-employee	740
Social insurance premiums-employer	1.329
Bank social aid pension fund premium-employee	12.674
Bank social aid pension fund premium-employer	17.609
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	973
Unemployment insurance-employer	1.933
Other	465
Total	35.723

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period
Social insurance premiums-employee	857
Social insurance premiums-employer	1.785
Bank social aid pension fund premium-employee	9.221
Bank social aid pension fund premium-employer	12.800
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	60
Unemployment insurance-employer	174
Other	2.344
Total	27.241

b) Deferred tax liability:

	Current Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	839.231
Revaluation of Financial Assets	(1.632.153)
Other	435.507
Deferred Tax (Asset) /Liability⁽²⁾:	(357.415)
Deferred tax accounted in shareholders' equity	(56.923)
Fair value differences for financial assets at through other comprehensive income	92.596
Actuarial gains and losses	(2.319)
Property Revaluation	(147.200)

⁽¹⁾ Provisions are comprised of the employee termination benefits and other provisions.⁽²⁾ Net deferred tax liability represents TRY 357.415 deferred tax liability consists of deferred tax assets which amounting to TRY 98.345 and deferred tax liabilities amounting to TRY 455.760.

	Prior Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	301.129
Revaluation of Financial Assets	(600.353)
Other	(187.765)
Deferred Tax (Asset) /Liability⁽²⁾:	(486.989)
Deferred tax accounted in shareholders' equity	48.674
Fair value differences for available for sale financial assets	187.521
Actuarial gains and losses	2.633
Property Revaluation	(141.480)

⁽¹⁾ Provisions are comprised of the employee termination benefits and other provisions.⁽²⁾ Net deferred tax liability represents TRY 486.989 deferred tax liability consists of deferred tax assets which amounting to TRY 87.181 and deferred tax liabilities amounting to TRY 574.170.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(11) Information on liabilities regarding assets held for sale and discontinued operations:

Liabilities regarding assets held for sale and discontinued operations is amounting to TRY 2.030. (31 December 2017: none)

(12) Explanations on the number of subordinated loans the Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

Information on Subordinated Loans	Current Period	
	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	-
Subordinated loans	-	-
Subordinated debt instruments	-	-
Debt instruments to be included in contribution capital calculation	6.182.084	-
Subordinated loans	-	-
Subordinated debt instruments	6.182.084	-
Total	6.182.084	-

* Detailed information is given in Section 4, footnote I.

Subordinated debts	Prior Period	
	TRY	FC
Domestic Banks	-	-
Domestic Other Institutions	1.004.385	-
Foreign Banks	-	-
Foreign Other Institutions	-	-
Total	1.004.385	-

(13) Information on shareholders' equity

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

f) Indicators of the Group's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Group's equity due to the uncertainty of these indicators:

The Group has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	18.272	1.081
Valuation differences	18.272	1.081
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	(39.253)	(156.060)
Valuation differences	(39.253)	(156.060)
Exchange rate difference	-	-
Total	(20.981)	(154.979)
	Prior Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	19.303	5.385
Valuation differences	19.303	5.385
Exchange rate difference	-	-
Financial assets available for sale	(386.103)	(246.346)
Valuation differences	(386.103)	(246.346)
Exchange rate difference	-	-
Total	(366.800)	(240.961)

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(14) Legal Reserves

	Current Period
I. Legal Reserve	1.327.536
II. Legal Reserve	650.465
Special Reserves	40.738
Total	2.018.739

	Prior Period
I. Legal Reserve	1.122.063
II. Legal Reserve	598.418
Special Reserves	38.460
Total	1.758.941

Extraordinary Reserves:

	Current Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	18.538.501
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital (-)	-
Total	18.538.501

	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	15.130.546
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital (-)	-
Total	15.130.546

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(15) Information on minority interest shares:

	Current Period
Paid-in Capital	168.554
Export Premium	10.404
Marketable Securities Revaluation Fund	48
Legal Reserves	4.274
Extraordinary Reserves	11.812
Retained Earnings	24.807
Other Profit Reserves	2.297
Net Period Income / Loss	24.445
Closing Balance	246.641

	Prior Period
Paid-in Capital	158.228
Export Premium	10.451
Marketable Securities Revaluation Fund	52
Legal Reserves	3.889
Extraordinary Reserves	10.906
Retained Earnings	12.500
Other Profit Reserves	1.613
Net Period Income / Loss	12.485
Closing Balance	210.124

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS**(1) Information on off-balance sheet liabilities:****a) Amount and nature of irrevocable loan commitments:**

Types of irrevocable commitments	Current Period
Commitments for credit card expenditure limits	12.728.944
Payment commitments for cheques	2.661.413
Loan granting commitments	4.690.580
Two days forward foreign exchange buy/sell transactions	2.036.669
Commitments for credit cards and banking services promotions	31.409
Tax and fund liabilities from export commitments	65.280
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.983.131
Total	26.197.426

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Types of irrevocable commitments	Prior Period
Commitments for credit card expenditure limits	11.599.896
Payment commitments for cheques	3.269.281
Loan granting commitments	4.685.365
Two days forward foreign exchange buy/sell transactions	910.451
Commitments for credit cards and banking services promotions	32.736
Tax and fund liabilities from export commitments	38.072
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.653.304
Total	24.189.105

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current Period
Letters of credit	3.230.210
Bank acceptances	7.050.260
Other guarantees	1.991.690
Total	12.272.160

	Prior Period
Letters of credit	4.148.121
Bank acceptances	3.693.507
Other guarantees	1.285.922
Total	9.127.550

b.2. Certain guarantees, tentative guarantees, sureties and similar transactions:

	Current Period
Letters of certain guarantees	17.020.690
Letters of advance guarantees	6.136.162
Letters of tentative guarantees	819.908
Letters of guarantee given to customs offices	1.742.509
Other letters of guarantee	45.678.546
Total	71.397.815

	Prior Period
Letters of certain guarantees	14.683.821
Letters of advance guarantees	4.296.948
Letters of tentative guarantees	744.300
Letters of guarantee given to customs offices	1.327.615
Other letters of guarantee	28.607.424
Total	49.660.108

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b.3. Total non-cash loans:

	Current Period
Non-cash loans for providing cash loans	7.320.589
<i>Within one year or less original maturity</i>	2.486.270
<i>Within more than one year maturity</i>	4.834.319
Other non-cash loans	76.349.386
Total	83.669.975

	Prior Period
Non-cash loans for providing cash loans	3.315.807
<i>Within one year or less original maturity</i>	824.244
<i>Within more than one year maturity</i>	2.491.563
Other non-cash loans	55.471.851
Total	58.787.658

b.4. Sectoral risk concentration of non-cash loans

	Current Period			
	TRY	(%)	FC	(%)
Agriculture	87.601	0,23	105.647	0,22
<i>Farming and Stockbreeding</i>	64.687	0,17	15.333	0,03
<i>Forestry</i>	520	-	-	-
<i>Fishery</i>	22.394	0,06	90.314	0,19
Manufacturing	7.894.909	21,34	24.049.023	51,51
<i>Mining and Quarrying</i>	156.756	0,42	407.527	0,87
<i>Production</i>	5.271.059	14,25	22.857.583	48,96
<i>Electricity, Gas and Water</i>	2.467.094	6,67	783.913	1,68
Construction	11.899.549	32,17	10.185.078	21,82
Services	16.321.575	44,15	12.019.928	25,75
<i>Wholesale and Retail Trade</i>	8.616.472	23,31	5.411.509	11,61
<i>Accommodation and Dining</i>	165.427	0,45	1.606.864	3,44
<i>Transportation and Telecom.</i>	499.807	1,35	2.924.156	6,26
<i>Financial Institutions</i>	4.030.896	10,90	215.881	0,46
<i>Real Estate and Rental Services</i>	2.605.931	7,05	1.746.339	3,74
<i>Professional Services</i>	22.065	0,06	694	-
<i>Educational Services</i>	74.897	0,20	61.570	0,13
<i>Health and Social Services</i>	306.080	0,83	52.915	0,11
Other	781.644	2,11	325.021	0,70
Total	36.985.278	100,00	46.684.697	100,00

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior Period			
	TRY	(%)	FC	(%)
Agriculture	37.475	0,13	57.214	0,19
Farming and Stockbreeding	30.793	0,11	10.754	0,04
Forestry	183	-	-	-
Fishery	6.499	0,02	46.460	0,15
Manufacturing	7.184.357	25,58	14.044.051	45,75
Mining and Quarrying	113.424	0,40	40.293	0,13
Production	4.043.858	14,40	13.680.317	44,57
Electricity, Gas and Water	3.027.075	10,78	323.441	1,05
Construction	8.039.874	28,62	8.736.570	28,46
Services	12.511.669	44,54	7.683.503	25,03
Wholesale and Retail Trade	6.465.350	23,01	2.928.813	9,54
Accommodation and Dining	82.979	0,30	816.097	2,66
Transportation and Telecom.	306.795	1,09	1.744.681	5,68
Financial Institutions	3.210.202	11,43	312.975	1,02
Real Estate and Rental Services	2.155.546	7,67	1.792.249	5,84
Professional Services	20.133	0,07	839	-
Educational Services	89.042	0,32	49.462	0,16
Health and Social Services	181.622	0,65	38.387	0,13
Other	318.327	1,13	174.618	0,57
Total	28.091.702	100,00	30.695.956	100,00

b.5. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	36.311.605	45.864.777	673.673	819.920
Letters of Guarantee	34.309.036	35.654.986	673.673	760.120
Bills of Exchange and Bank Acceptances	11.845	7.009.375	-	29.040
Letters of Credit	119.895	3.079.555	-	30.760
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	1.870.829	120.861	-	-

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c) Information on derivative financial instruments:

	Derivative transactions according to purposes	
	Trading Derivatives	Derivative Financial Instruments held for Risk Management
	Current Period	Current Period
Types of trading transactions		
Foreign Currency related Derivative Transactions (I):	28.766.322	-
Currency Forwards-Purchases/Sales	7.048.111	-
Currency Swaps-Purchases/Sales	15.858.965	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	5.859.246	-
Interest Rate related Derivative Transactions (II)	17.392.884	-
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	17.392.884	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
Other Trading Derivatives (III) ⁽¹⁾	2.239.469	-
A. Total Trading Derivatives (I+II+III)	48.398.675	-
Derivative Financial Instruments held for Risk Management		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-
Total Derivative Transactions (A+B)	48.398.675	-

⁽¹⁾ Other trading derivatives consist of forward buying and selling precious contracts amounting to TRY 89.699 and TRY 2.149.770, respectively.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Trading Derivatives	Derivative Financial Instruments held for Risk Management
	Prior Period	Prior Period
Types of trading transactions		
Foreign Currency related Derivative Transactions (I):	17.324.553	-
Currency Forwards-Purchases/Sales	9.085.301	-
Currency Swaps-Purchases/Sales	6.358.831	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	1.880.421	-
Interest Rate related Derivative Transactions (II)	10.886.762	-
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	10.886.762	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
Other Trading Derivatives (III) ⁽¹⁾	2.730.418	-
A. Total Trading Derivatives (I+II+III)	30.941.733	-
Derivative Financial Instruments held for Risk Management		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-
Total Derivative Transactions (A+B)	30.941.733	-

⁽¹⁾ Other trading derivatives consist of forward buying and selling precious contracts amounting to TRY 24.982 and TRY 2.705.436, respectively.

d) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 2.661.413 (31 December 2017: TRY 3.269.281).

e) Services provided on behalf of others:

None.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**(1) Information on interest income:****a) Information on interest income on loans:**

	Current Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	8.185.456	377.034
Medium and long term loans	15.461.224	4.705.540
Interest on non-performing loans	261.445	4.110
Premiums from resource utilization support fund	-	-
Total	23.908.125	5.086.684

⁽¹⁾ Includes fees and commissions obtained from cash loans.

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	4.454.399	225.871
Medium and long term loans	11.044.967	3.199.222
Interest on non-performing loans	133.052	3.327
Premiums from resource utilization support fund	-	-
Total	15.632.418	3.428.420

⁽¹⁾ Includes fees and commissions obtained from cash loans.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Interest received from banks:

	Current Period	
	TRY	FC
CBRT	427.986	80.777
Domestic banks	106.347	31.104
Overseas banks	10.272	10.119
Head office and branches	-	-
Total	544.605	122.000

	Prior Period	
	TRY	FC
CBRT	99.640	83.263
Domestic banks	44.116	8.122
Overseas banks	8.409	13.151
Head office and branches	-	-
Total	152.165	104.536

c) Interest income on marketable securities:

	Current Period	
	TRY	FC
Financial assets at fair value through profit or loss	17.696	1.414
Financial assets at fair value through other comprehensive income	259.787	87.352
Financial assets measured at amortised cost	6.231.379	553.919
Total	6.508.862	642.685

	Prior Period	
	TRY	FC
Financial assets held for trading	3.180	29
Financial Assets at fair value through profit or loss	-	-
Available-for-sale financial assets	1.284.569	297.838
Held-to-maturity investments	2.038.882	141.034
Total	3.326.631	438.901

d) Interest income from subsidiaries and associates:

None.

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(2) Information on interest expenses:**a) Information on interest expense on funds borrowed:**

	Current Period	
	TRY	FC
Banks	255.888	493.171
CBRT	1	-
Domestic banks	191.292	51.822
Overseas banks	64.595	441.349
Overseas head office and branches	-	-
Other institutions	11	20.134
Total	255.899	513.305

	Prior Period	
	TRY	FC
Banks	137.592	388.334
CBRT	-	279
Domestic banks	99.716	51.369
Overseas banks	37.876	336.686
Overseas head office and branches	-	-
Other institutions	12	14.347
Total	137.604	402.681

b) Interest expenses to subsidiaries and associates:

	Current period
Interest expenses to subsidiaries and associates	16.848

	Prior period
Interest expenses to subsidiaries and associates	4.283

c) Information on interest expenses to marketable securities issued:

	Current period	
	TRY	FC
Interest on securities issued	1.011.483	543.720
Total	1.011.483	543.720

	Prior period	
	TRY	FC
Interest on securities issued	379.126	466.409
Total	379.126	466.409

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Maturity structure of interest expenses on deposits:

Current Period		Time deposits						
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	Total
TRY								
Bank deposits	1.476	405.773	525.324	48.880	691	-	-	982.144
Saving deposits	5	317.695	7.368.649	310.727	119.538	59.977	9.931	8.186.522
Public deposits	106	268.493	544.146	101.996	271.430	3.570	-	1.189.741
Commercial deposits	19	1.234.280	3.529.934	342.693	183.702	38.034	-	5.328.662
Other deposits	-	122.682	1.346.118	193.824	396.049	5.747	-	2.064.420
7 days call accounts	-	-	-	-	-	-	-	-
Total	1.606	2.348.923	13.314.171	998.120	971.410	107.328	9.931	17.751.489
Foreign currency								
Deposits	1.726	142.699	1.724.489	121.576	101.256	143.581	394	2.235.721
Bank deposits	55	305.283	537	293	43	742	205	307.158
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	29	2.808	266	319	545	-	3.967
Total	1.781	448.011	1.727.834	122.135	101.618	144.868	599	2.546.846
Grand total	3.387	2.796.934	15.042.005	1.120.255	1.073.028	252.196	10.530	20.298.335

Prior Period		Time deposits						
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	Total
TRY								
Bank deposits	318	336.521	309.222	914	558	-	-	647.533
Saving deposits	6	74.481	3.997.373	150.964	45.425	45.682	8.751	4.322.682
Public deposits	47	178.874	298.891	66.829	392.510	4.394	-	941.545
Commercial deposits	25	411.283	1.870.278	265.515	254.904	15.738	-	2.817.743
Other deposits	-	62.220	371.336	78.037	52.286	8.526	-	572.405
7 days call accounts	-	-	-	-	-	-	-	-
Total	396	1.063.379	6.847.100	562.259	745.683	74.340	8.751	9.301.908
Foreign currency								
Deposits	207	76.500	1.164.740	212.884	54.129	65.406	354	1.574.220
Bank deposits	242	191.700	230	509	2.305	14.554	36	209.576
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	153	-	-	-	-	-	-	153
Total	602	268.200	1.164.970	213.393	56.434	79.960	390	1.783.949
Grand total	998	1.331.579	8.012.070	775.652	802.117	154.300	9.141	11.085.857

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(3) Information on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit or Loss	379
Financial Assets at Fair Value Through other Comprehensive Income	3.936
Other	8.862
Total	13.177

	Prior Period
Financial Assets Held for Trading	194
Financial Assets Valued at Fair Value through Profit or Loss	24
Financial Assets Available-for-Sale	4.003
Other	7.418
Total	11.639

(4) a) Explanations on trading profit / loss (net):

	Current Period
Profit	55.546.634
Profit from the capital market operations	50.979
Profit on derivative financial instruments	5.911.938
Foreign exchange gains	49.583.717
Loss (-)	55.315.151
Loss from the capital market operations	17.898
Loss on derivative financial instruments	3.932.717
Foreign exchange losses	51.364.536

	Prior Period
Profit	45.384.051
Profit from the capital market operations	48.558
Profit on derivative financial instruments	1.824.452
Foreign exchange gains	43.511.041
Loss (-)	45.305.426
Loss from the capital market operations	13.481
Loss on derivative financial instruments	2.020.170
Foreign exchange losses	43.271.775

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information on derivative financial instruments

	Current period
Profit on derivative financial instruments	5.911.938
Effect of the change in foreign exchange on profit	5.749.027
Effect of the change in interest rate on profit	162.911
Loss on derivative financial instruments (-)	3.932.717
Effect of the change in foreign exchange on loss	3.799.881
Effect of the change in interest rate on loss	132.836
Profit/loss on derivative financial instruments	1.979.221

	Prior period
Profit on derivative financial instruments	1.824.452
Effect of the change in foreign exchange on profit	1.768.357
Effect of the change in interest rate on profit	56.095
Loss on derivative financial instruments (-)	2.020.170
Effect of the change in foreign exchange on loss	1.971.201
Effect of the change in interest rate on loss	48.969
Profit/loss on derivative financial instruments	(195.718)

(5) Information on other operating income:

	Current period
Adjustments for prior period expenses	461.355
Insurance technical income	1.512.044
Income from the asset sale	123.169
Rent income	63.122
Other income	329.680
Total	2.489.370

	Prior Period
Adjustments for prior period expenses	442.260
Insurance technical income	1.414.967
Income from the asset sale	112.497
Rent income	49.417
Other income	137.442
Total	2.156.583

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(6) Impairment losses on loans and other receivables:

	Current Period
Expected Credit Loss	2.598.891
12 Month Expected Credit Loss (Stage 1)	76.916
Significant Increase in Credit Risk (Stage 2)	458.938
Non – Performing Loans (Stage 3)	2.063.037
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other	821.625
Total	3.420.516

	Prior Period
Specific provisions on loans and receivables	1.139.908
Group - III loans and receivables	373.220
Group - IV loans and receivables	528.643
Group - V loans and receivables	238.045
General loan provision expenses	268.934
Provision expenses for possible losses	-
Marketable securities impairment losses	-
Financial assets at fair value through profit and loss	-
Financial assets available for sale	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-
Associates	-
Subsidiaries	-
Jointly controlled entities (joint ventures)	-
Investments held-to-maturity	-
Other	97.029
Total	1.505.871

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(7) Information on other operating expenses:

	Current Period
Personnel expenses	2.608.022
Reserve for employee termination benefits	75.141
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	387
Depreciation expenses of fixed assets	148.432
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	43.441
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	-
Amortization expenses of assets that will be disposed of	7.846
Impairment expense for property and equipment held for sale	-
Other operating expenses	2.243.268
Operational leasing expenses	303.879
Maintenance expenses	59.724
Advertisement expenses	214.597
Other expenses	1.665.068
Loss on sales of assets	273
Other	2.027.804
Total	7.154.614

	Prior Period
Personnel expenses	2.153.948
Reserve for employee termination benefits	96.833
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	410
Depreciation expenses of fixed assets	115.012
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	48.893
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	13.437
Amortization expenses of assets that will be disposed of	-
Impairment expense for property and equipment held for sale	-
Other operating expenses	1.808.318
Operational leasing expenses	204.389
Maintenance expenses	49.046
Advertisement expenses	226.048
Other expenses	1.328.835
Loss on sales of assets	363
Other	1.648.989
Total	5.886.203

Türkiye Halk Bankası A.Ş.***Explanation and Notes Related to the Consolidated
Financial Statements for the Year Ended 31 December 2018***

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The Group's income before tax is due from continuing and discontinued activities.

The amount of profit before tax consists TRY 8.942.912 of net interest income and TRY 1.904.363 of net fees and commissions. The profit from continuing operations before tax of the Group is amounting to TRY 3.032.795.

(9) Information on tax provisions for continuing and discontinued operations:

For the period ended 31 December 2018, the Group's tax provision amounting to TRY 361.833 consists of TRY 175.752 of current tax charge and TRY 1.161.994 of deferred tax charge and TRY 975.913 of deferred tax benefit.

For the period ended 31 December 2018, the Group's deferred tax income from discontinued operations is amounting to TRY 2.860 consists of TRY 2.890 of current tax charge and TRY 30 of deferred tax benefit.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

As of 31 December 2018, the Group's operating income after tax is amounting to TRY 2.670.962.

As of 31 December 2018, the Group's discontinued operations income after tax is amounting to TRY 10.130.

(11) Information on net profit/loss from continuing and discontinued operations:

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

(12) Minority interest profit/losses:

	Current Period
Minority interest profit/losses	24.445
	Prior Period
Minority interest profit/losses	12.485

(13) Other items in Income Statement:

Other items do not exceed 10% of the income statement.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

(1) Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 9.775.972 (31 December 2017: TRY 17.670.819 increase) increase for the year 2018. The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 13.874.450 decrease for the year 2018 (31 December 2017: TRY 6.134.162 decrease)

For the year ended 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 5.233.224 increase (31 December 2017: TRY 897.165 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

(2) Items used in determination of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies: None.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	36.681.377	30.211.966
Cash in TRY and foreign currency	2.208.130	1.543.096
Central Bank and others ⁽¹⁾	34.473.247	28.668.870
Cash equivalents	7.597.218	3.010.590
Demand and Time Deposits Up to 3 Months	6.309.050	1.938.193
Money Market Placements	1.288.168	1.072.397
Total cash and cash equivalents	44.278.595	33.222.556
Reserve deposits in Central Bank of Turkey	(16.725.443)	(17.363.786)
Banks Blocked Amount ⁽¹⁾	(325.226)	(290.080)
Accruals on reserve deposits in Central Bank of Turkey	(89.784)	(36.875)
Accruals on Money Markets Placements	(2.669)	-
Accruals on banks	(18.620)	(1.219)
Total Cash and Cash Equivalents	27.122.191	15.530.596

⁽¹⁾ Other items include cheques received and required reserves that are held at The Central Bank of Macedonia.

(5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	35.579.724	36.681.377
Cash in TRY and foreign currency	4.591.894	2.208.130
Central Bank and others ⁽¹⁾	30.987.830	34.473.247
Cash Equivalents	5.195.753	7.597.218
Demand and Time Deposits Up to 3 Months	5.130.435	6.309.050
Money Market Placements	65.318	1.288.168
Cash and Banks	40.775.477	44.278.595
Reserve deposits in Central Bank of Turkey	(16.685.658)	(16.725.443)
Banks Blocked Amount ⁽¹⁾	(387.741)	(325.226)
Accruals on reserve deposits in Central Bank of Turkey	(223.863)	(89.784)
Accruals on Money Markets Placements	-	(2.669)
Accruals on banks	(29.630)	(18.620)
Total Cash and Cash Equivalents	23.448.585	27.122.191

⁽¹⁾ Other items include cheques received and required reserves amounts that are held at The Central Bank of Macedonia.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK

(1) Volume of the Parent Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Information on the loans of the Parent Banks' risk group:

None. (31 December 2017: None)

b) Deposits held by the Parent Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Deposits	Current Period	Current Period	Current Period
Beginning balance	21.542	-	-
Closing Balance	42.260	-	-
Interest expense on deposits	5.321	-	-

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Deposits	Prior Period	Prior Period	Prior Period
Beginning balance	8.771	-	-
Closing Balance	21.542	-	-
Interest expense on deposits	1.296	-	-

c) Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Parent Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates. In addition, the Parent Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of "Brokerage Order Contract". Additionally, Halk Portföy Yönetimi AŞ is engaging in fund management of Parent Bank's funds.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

		% compared to the amounts in the Amount financial statements
Cash loans	-	-
Non-cash loans	-	-
Deposits	42.260	%0,02
Forward and option contracts	-	-
Banks and other financial institutions	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Parent Bank and are in line with market rates.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 28.606 as of 31 December 2018 (31 December 2017: TRY 23.873).

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the Parent Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of Employees	Countries		
Domestic Branches	988	18.713			
Abroad Agencies	3	4	IRAN		
			ENGLAND		
			SINGAPORE		
				Total Assets	Capital Legal
Overseas Branches	5	61	TRNC	1.328.014	-
Off-shore Branches	1	3	BAHRAIN	23.374.933	-

(2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 28 domestic branches during the year 2018.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

The Bank's shares in the capital of Halk Portföy Yönetimi A.Ş., as classified under Assets Held For Sale, has been transferred to Ziraat Portföy Yönetimi A.Ş. as of January 02, 2019.

In January 2019, the Group's subsidiary Halk Banka A.D., Skopje acquired an insurance company named Nova Osiguruvanje established in Macedonia.

Türkiye Halk Bankası A.Ş.

Explanation and Notes Related to the Consolidated Financial Statements for the Year Ended 31 December 2018

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION VI: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS

One of the Parent Bank's former directors has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the Parent Bank such as appeal and other legal rights following the first phase of the trial.

The Parent Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Parent Bank.

The Parent Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Parent Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and money transfers are open and transparent, and easily be monitored by authorities. The Parent Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Parent Bank placed a high importance on this matter and established a separate "Compliance Department". The Parent Bank is receiving advisory services from an international expert firm in forming effectiveness of this department's policies and control procedures and processes.

SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The Parent Bank's publicly available consolidated audited financial statements and footnotes have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 14 February 2019 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

Directory

Trade Registration Number

862070

Istanbul Trade Registry Office

Web Site

www.halkbank.com.tr

Corporate e-mail

halkbank.ir@halkbank.com.tr

Call Center

Halkbank Dialogue 0850 222 0 400

Halkbank Artisan and SME Dialogue 0850 222 0 401

Head Office (Main)

Barbaros Mahallesi, Şebboy Sokak No: 4/1 34746

Ataşehir/Istanbul - TURKEY

Tel: +90 (216) 503 70 70

- Department of Asset-Liability Management and Economic Research
- Department of Retail Banking
- Department of Budget and Reporting
- Department of Support and Purchasing Services
- Department of Foreign Transactions and Treasury Operations
- Department of Digital Banking and Payment Systems
- Department of Artisans Banking
- Department of Financial Institutions and Investor Relations
- Department of Financial Accounting
- Department of Halk Academy
- Department of Treasury Management
- Department of Legal Affairs
- Department of Human Resources
- Department of Construction Expertise and Real Estate Management
- Department of SME Loans-1
- Department of SME Marketing-1
- Department of SME Marketing-2
- Department of Credit Policies and Practices
- Department of Credit Risk Monitoring
- Department of Credit Risk Liquidation-1
- Department of Credit Risk Liquidation-2
- Department of Corporate Communications

- Department of Corporate Architecture
- Department of Corporate and Commercial Loans-1
- Department of Corporate and Commercial Loans-2
- Department of Corporate and Commercial Marketing-1
- Department of Corporate and Commercial Marketing-2
- Deposit Management and Marketing
- Department of Cash Flow Management
- Department of Subsidiaries Coordination
- Department of Performance Management
- Department of Credit and Project Evaluation
- Department of International Banking and Structured Finance
- Department of Compliance
- Department of Tax Management and Payments
- Department of Board of Directors Office Services

Head Office (Support Unit)

İçerenköy Mahallesi, Karaman Çiftlik Yolu Caddesi

No: 49 34752

Ataşehir/Istanbul - TURKEY

- Department of Retail Loans
- Department of Internal Control
- Department of Central Operations
- Department of Risk Management
- Department of Board of Inspectors

Head Office (Support Unit)

Barbaros Mahallesi, Mor Sümbül Sokak

No: 7/2A A Blok 34746

Ataşehir/Istanbul - TURKEY

- Department of Infrastructure Operation and Management
- Department of Branch Operations
- Department of Technological Architecture Management
- Department of Software Development

Söğütözü Mah. 2180 Cad. No: 63 C Blok Kat: 1
Çankaya/Ankara - TURKEY

- Department of SME Loans-2

Overseas Organization**TRNC Country Directorate**

Cebeci Sok. No: 4 Kat: 2 Yenikent-Gönyeli/TRNC
Tel: (+392) 680 40 20
Fax: (+392) 223 89 95

Nicosia Branch

Köşklü Çiftlik Mah. Osmanpaşa Cad. No: 1 Nicosia/TRNC
Tel: (+392) 228 8545
Fax: (+392) 227 4571

Famagusta Branch

İsmet İnönü Bulvarı Hasipoğlu Residence ve Güney
Business Center A Blok No: 7 Famagusta/TRNC
Tel: (+392) 365 6701
Fax: (+392) 365 6706

Kyrenia Branch

Yukarı Girne Mah. Hakkı Borataş Cad. Kyrenia/TRNC
Tel: (+392) 816 0230
Fax: (+392) 816 0234

Gönyeli Branch

Cebeci Sok. No: 4 Yenikent-Gönyeli/TRNC
Tel: (+392) 680 40 00
Fax: (+392) 223 93 74

Paşaköy Satellite Branch

28'inci Mknz. P. Tüm. K.lığı Paşaköy-Nicosia/TRNC
Tel: (+392) 236 9151
Fax: (+392) 236 9153

Bahrain Branch

Almoayyed Tower, 33rd Floor, Suite 3302, Al Seef District,
P.O. Box 11378 Manama/Kingdom of Bahrain
Tel: (+973) 175 37711
Fax: (+973) 175 35463

London Representative Office

48 Dover Street, Floor 1, London, W1S4FF
United Kingdom
Tel: (+44) 207 151 41 32
Fax: (+44) 207 151 41 31

Tehran Representative Office

3rd Floor, Building 114, Ghaem Magham Farahanı Avenue
15869-36145 Tehran-Iran
Tel: (+98) 21 88 30 47 15
Fax: (+98) 21 88 30 10 00

Singapore Representative Office

10 Collyer Quay, #40-09/10, Ocean Financial Centre,
Singapore 049315
Tel: (+65) 6808 6430
Fax: (+65) 6808 6299

Halkbank Social Media Accounts

 facebook.com/halkbank

 twitter.com/halkbank

 instagram.com/halkbank/

 youtube.com/halkbank

 linkedin.com/company/halkbank

 plus.google.com/+halkbank



www.halkbank.com.tr

Halkbank Dialogue 0850 222 0 400

Halkbank Artisan and SME Dialogue 0850 222 0 401